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# BUSINESS WEEK

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Piercing the Alleghenies—a new type of highway, a new link in defense.

BUSINESS  
CATOR

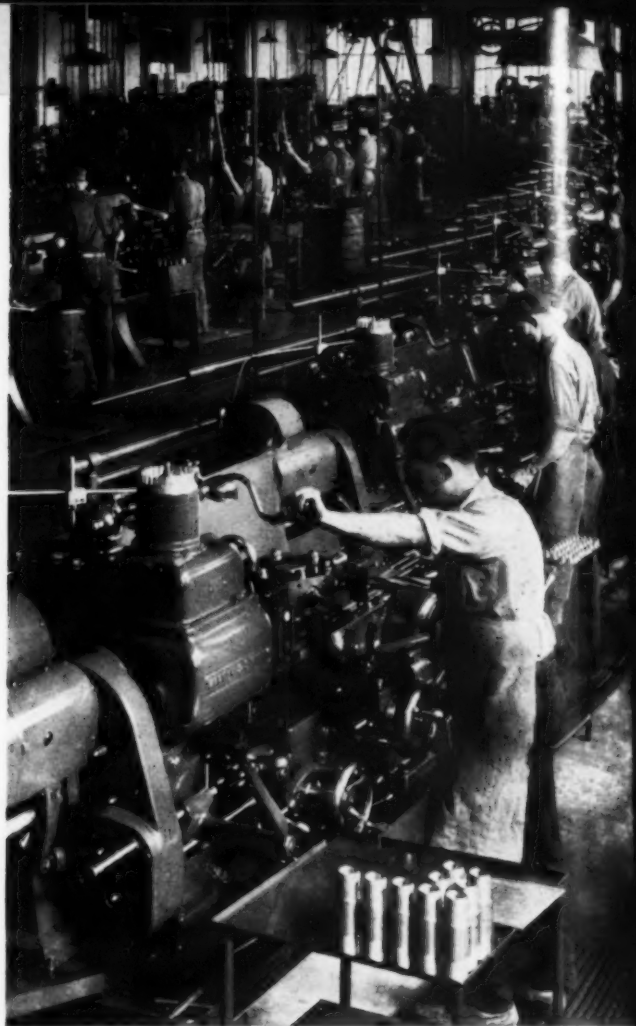
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# America's battles can be won BEFORE THEY HAPPEN

• Men, management and machines can make this country impregnable. The skilled workmen of America are anxious to do their part. But they need machines—more than can be produced by industry working 24 hours a day.

The only answer is—get more out of the machines you have. Here are three ways Warner & Swasey can help you—

1. A new line of turret lathe tools that turn metal faster, to closer tolerances, with less scrap loss—and so give you more production from present machines while you may be waiting for new ones.



2. A practical Operator's Manual written from one operator to another, to show your men how they can use a turret lathe to their own greater satisfaction and pride, to the greater benefit of their company and nation.

3. A short film and chart talk to your operators that show them how turning metal better, faster, for less, helps everyone, beginning with themselves.

These last two are not a training program—but are a help in any such program you may have. Our only purpose is to help you and your workmen in this present emergency, in every way we can.

YOU CAN TURN IT BETTER, FASTER, FOR LESS . . . WITH A WARNER & SWASEY

# How to invent the world's fastest airplane



*New Curtiss P-40 high-speed  
pursuit plane now in production  
for the U. S. Army Air Corps.*

★ JUST let some paper-and-pencil scientist declare that "400 m. p. h. is the practical limit of airplane speed"...and then watch what happens.

From crackpots and geniuses, from cow pasture and campus, from forty-eight states will come a carload of ideas for a plane that will do 425.

There's an American trait for you. We can't help touching the wet-paint sign. The thought of an unbreakable record is unbearable. And when a thing is impossible—that's the one thing we want to do.

"Nobody will ever match the magnetic hold Roosevelt has on the American public," they say. And along comes another American to capture

the American public with an ease that makes newsmen gape. (You'll see these two brilliant men contrasted in this week's Post.)

"Nobody can ever revive the circus now that John Ringling is dead"... and along comes his nephew with ideas novel enough to make even circus men tip their hats. (He's in the Post this week, too.)

"Not more than 50,000 families can ever afford cars," croaked an early motor-car prophet. So the industry went on to make three or four million a year. (You'll see this dramatic accomplishment through the eyes of Alfred P. Sloan, Jr., in this issue.)

In other words, we not only like

busting records ourselves. We like to read about the men who bust 'em. That's one reason why so many millions—the biggest magazine-buying audience in the world—turn to the Post so eagerly every week. Between its covers is reflected the living, curious, alert and untrammelled soul of America itself.

It's quite a special type of audience. They want to make a success of their own lives. They want their country to win and deserve success. They are the record-busters.

To them, The Saturday Evening Post, in its fiction, in its articles and in its advertising pages, is "America between two covers."

★ THE SATURDAY EVENING  
**POST** ... *America between two covers*



## PACKAGING

### Cottage Cheese Now Merchandised in Waxless Paper Can

DAIRY OPERATORS and retail merchants have long sought a cottage cheese package which required no wax, inside or out, which was easy to fill, and which was perfectly sanitary.

Producer, now, of such a container is Sutherland Paper Company, Kalamazoo, Michigan, which has recently brought out a special lined paper can known as the Titelok cottage cheese container.

This specially developed liner gives the same sanitary protection as wax and eliminates the possibility of scraping wax into the food when cottage cheese is dispensed from its container.

The slip-over cover feature of the Titelok container provides greater sanitation because cottage cheese is protected while cover is being removed. Insert lids on other types of packages often permit moisture and dirt to drop into the food contents when the package is being opened. The Titelok cover makes it possible to fill the container to top level to give full measure. With certain types of cottage cheese containers undue care must



be taken not to fill above the lid seat because of resulting difficulty of inserting the cover. Moreover, the Titelok slip-over cover eliminates the chance of seepage and saves wiping filled containers.

Labels for Titelok cottage cheese cans are printed in flat sheets and applied to the containers by a special process that assures clear, sharp design reproduction. Spiral seam is concealed, and there is no outer coating of wax to reduce the effectiveness of the design.

Titelok cottage cheese cans, plain or printed, are now made in 12-ounce and 16-ounce sizes. They are also made with brown outside in 2, 3, 5, and 10-lb. sizes.

### Sutherland Produces Paper Cans for Many Uses

SINCE ENTERING the paper can manufacturing field, Sutherland has developed a number of special types of liners and brought out new styles in construction of cylindrical paper containers. This has resulted in many new uses for paper cans. They are now used for packaging motor oil, lard, ice cream, baked beans, seafood, cereal, meat products, chop suey, bath salts, grated cheese, and many other products.

(Advertisement)

## NEW BUSINESS

### Rooters

ACCORDING TO ALL the public opinion polls, and the Democrats, there are a lot of Roosevelt rooters in the country—but alongside the Willkie partisans they're a pretty quiet lot. While the Roosevelt rooting technique seems to be to sit back quietly and say, "Wait and see, boys!" the Willkie men are feverishly whipping up enthusiasm for their candidate across the length and breadth of the land.

Take Mr. Charles F. Vatterott, Jr., president of a St. Louis lumber and supply company. He spent his whole vacation touring in his big trailer, the *Queen Mary*, campaigning for Willkie. He took five children along with him (three of his own, and two spares), stopped in the public square of every town he came to, and turned on his radio record player. Mr. Vatterott and his son would be dressed as farmers, and the girls would be wearing gingham dresses and sunbonnets, and after the record player played "God Bless America" and "The Star Spangled Banner," the girls stepped down into the crowd and passed out Willkie buttons.

Take the blind beggar in the streets of Chicago who quit selling pencils and took on a line of Willkie buttons instead.

Take the Pennsylvania cigar manufacturer who started to put out a brand of cigars called "Your Choice"—the names of Willkie or Roosevelt being printed on the wrappers. (A report from a Duluth, Minn., cigar stand has the Willkies outselling the Roosevelts three to one).

And take the disgruntled flying school operators, who moved away from Roosevelt Field, Long Island, after a ban on student flying went into effect there, and set up business on a field of their own—a couple of acres of quickly-converted truck farm land—which they have named Willkie Field.

### Progress

IT WAS a bad week for the watermelon last week. It took a beating in New York City and in Charleston, S. C. In New York, the Children's Aid Society held its annual watermelon carnival. There were watermelon relays, three-legged races, blindfold races—with the contestants all carrying watermelons. The photographers from the newspapers were all on hand. They stood around patiently waiting for the watermelon-eating contest so they could get the usual picture of the winner (who would, of course, be a little colored fellow) working a juicy hunk of melon right down to the rind. But there *wasn't* any watermelon-eating contest. The Society said it wouldn't have any truck

with such a thing, since its goal was the Properly Balanced Meal. The bewildered photographers just couldn't believe it was true.

The second setback for the watermelon came when Dr. Bryan L. Wade, head of the Department of Agriculture's coastal experiment station near Charleston, S. C., announced that by about May 1, 1942, there would be a new streamlined watermelon on the market. It will have bright red meat, mature about a month earlier than the ordinary watermelon, and weigh about 23 pounds instead of the average 35. It has apparently been developed to please housewives who grouse because they can't get the old-fashioned watermelon in the icebox. Get a bigger icebox, girls. Leave the watermelon alone!

### Progress

THE BIG BEND division of the Washington Water Power Co. has developed a surefire system of getting its employees to read all the company bulletins which are turned out. As any company knows, this is no mean job. Big Bend tried various methods before, but results were always spotty. Now the bulletins have a readership close to 100%. In the men's and women's rest rooms, bulletin boards have been installed on the wall, level with the visitors' eyes.

### Progress

A NEW BOWLING CENTER opening in Edina, a suburb of Minneapolis, will feature a playroom complete with toys, games, and an attendant to take care of the kiddies while Ma works out in the alleys.

### Just an Idea

RUFUS C. MADDUX, managing director of the New Jersey Council, isn't going to let any Floridians or Californians get ahead of him. He wants the New Jersey State Hotel Association to show its faith in Jersey's September weather by letting visitors occupy hotel rooms free every day that it rains after Labor Day.

Thomas J. Smythe, commuting from his summer home in Maspic to Jamaica, L. I., on the Long Island Railroad recently, claimed his shirt was soiled by soot and oil during the ride, and sent the shirt to the railroad's claim department for laundering.

Clifford Anthony, a librarian in Union, N. J., who entered the Lady Nimble Fingers speed crocheting contest at the New York World's Fair, was insured by the Fair Corporation for \$5,000 against injury. A man contestant in a similar contest in St. Paul recently got a nasty gash from a whirlwind woman crocheter beside him.



## WASHINGTON BULLETIN

WASHINGTON (Business Week Bureau)—Roosevelt pushes on—will continue to push on as rapidly as he thinks public opinion will let him—towards actual alliance with Britain. In the meantime, he will see that we extend every possible aid “short of war”—obviously as Roosevelt, not Hitler, defines that term.

The gearing of U.S. factories to British military, naval, and air requirements and the coordination of their needs with our own defense program (page 48), will be followed by the meshing of U.S. and Canadian war production under the joint defense program.

F.D.R. apparently assumes the Canadian Parliament will approve the “Alliance,” doesn’t seem to worry about Senate ratification.

### Letting the Bars Down

FIFTY WORLD WAR destroyers, shortly to be delivered to the British—unless England should go down before they get there—will be followed by other “over-age” equipment. Then will come some not so over-age. The decision in every instance will depend not on the desire to help, but on whether such help is safe politically.

### No Argument with Willkie

AT THE MOMENT Roosevelt’s course seems to contain little political peril—that is, if you disregard possible domestic reactions to the attitude that Hitler might adopt toward the United States if he should win before the election. Wendell Willkie went pretty far in his acceptance speech toward swallowing the Roosevelt policy of aiding the British and building up national defenses. He criticized F.D.R. for fire-eating words and then virtually went him one better. Willkie doesn’t attack the objective of the defense program nor its necessity, but the inefficiency of its administration.

★Rabbit Time: Polls and other indications all show Willkie is a real threat. Moreover, Willkie’s snappy comments—for example, his recommendation that the President let experts do the defense inspecting—seem to be getting under Roosevelt’s skin, tending just a little to drag him off his pedestal. But don’t forget to watch for a great big rabbit out of the Roosevelt hat.

### More Than Defense

LOOK FOR A VARIETY of financial and trade aids to Canada to develop in conjunction with the common defense program mapped out by F.D.R. and MacKenzie King. It’s no coincidence that Morgenthau is vacationing in Canada.

Various hurdles erected by the Neutrality Act will have to be removed

eventually, of course, but studies have already begun looking to fortification of Canada’s economy as well as its territory. Logical first step would be loans to U.S. firms for the expansion of branch plants in the Dominion.

The broad scheme deals with the U.S. and Canada as an integral unit, the industrial capacity of each complementing the other. Direct loans to Canada, prohibited by the Neutrality Act, won’t be necessary—at least not now. As for construction by the U.S. of air and naval bases on territory leased from Canada, this is regarded as perfectly legal. In the words of one official: “A tenant has the right to improve the property he rents.”

The RFC this week put its resources back of building up air strength by cre-

ating two subsidiaries for the purposes. The Defense Plant Corp. will finance plants, equipment, and machinery, particularly for plane and engine manufacture. The Defense Supplies Corp. has been allotted \$50,000,000 to buy high-test gasoline for storage at strategic points. Several oil companies have assigned engineers to work with the Army and Navy on storage problems.

★Crossed Fingers: Nobody’s talking about Ford’s agreement to build 4,000 Pratt and Whitney liquid-cooled plane engines for the Army. Officials are holding their breath until a contract is actually signed.

### Army Seeks Latin Airfields

THE ARMY is just now getting around to searching out possible plane-landing spots and other facilities available in South America if the U.S. were called to help defend one or more of those countries. It has been three or four years since the Air Corps inquired about fields on the way to Mexico City. The Army is not delinquent; it has had no personnel to make these surveys.

### An Effect of the Draft

A BIG CRIMP is being put in the installment sales business. Because the National Guard and conscription bills provide for a moratorium on obligations of all men called to service (BW—Aug 17 ’40, p.16), credit corporations and banks are already shutting down on purchases of installment paper on sales to men of draft age. Legislation follows the World War pattern, but bites down on business much harder now because of the terrific growth of installment selling.

Several organizations are cautiously turning the heat on Congress to rewrite the legislation so as to permit court-appointed referees to arbitrate repossession. Voluntary settlements satisfactory to the persons in military service are also urged. The Army Judge Advocate General proposes legislation permitting repossession of property by mutual consent.

### Impatient with Business

IF THE DRAFT LEGISLATION stands as is, it is anticipated that many purchasers would elect to default after their military service, permitting repossession subject to heavy depreciation in such lines as automobiles, furniture, radios and electrical appliances.

But the soldiers’ and sailors’ moratorium and other defense subjects of utmost concern to business are in a delicate position.

★Heed: There is a growing antagonism to business in Congress, due mainly to

### Adams Bows Out



Harrie A. Ewing

Alva Adams used to be regarded, even by Roosevelt, as a progressive. That was before the Colorado Senator got to worrying about spending and the budget. Now he’s in the dog house sure enough, for this week he refused the assignment—which tradition placed in his lap as chairman of the Senate Appropriations Committee’s deficiency subcommittee—of guiding the current \$5,000,000,000 defense bill on the floor of the Senate. Said Adams: “When I was practising law, I never liked to try a suit when I didn’t think my client had made a good case for himself.” The Army, he thinks, has overdone it by making plans for an armed force of 2,000,000 men.



For precision and quick delivery, farm out orders for parts and supplies in Massachusetts. Over 150 Massachusetts firms already produce for airplane manufacturers: instruments, tools, machinery, abrasives, chemicals, electrical supplies—parts made of metal, rubber, plastics, textiles, wood, etc. 250 more can fill similar orders with no change-over.

#### ABUNDANT SKILLED, COOPERATIVE LABOR

Massachusetts is a top state in number of employed skilled metal workers — has available 75,000 more factory workers (mostly skilled), including 10,000 metal workers. And Massachusetts leads all industrial states in freedom from time lost per employee due to labor disputes!

*Available: Up-to-date listing of aviation suppliers, what each can produce. Your request kept confidential. Write to:*

**Massachusetts**

Development and Industrial Commission  
State House, Boston, Mass.

**COME WHERE BUSINESS AND  
LABOR UNITE FOR PROFITS**

the reluctance of industry to expand capacity for defense production until questions of taxation and plant write-off have been definitely determined. This anti-business feeling is becoming evident even among members who usually take sides with business in an argument with the Administration.

#### Backing up Arnold

Crowded by the exigencies of the defense program, Assistant Attorney General Arnold got some support for his anti-trust enforcement policy this week when Rep. Coffee of Washington called for an investigation into the facts concerning the pressure that has been put on Arnold to make him lay off. Independent oil jobbers, indignant because of the Defense Commission's intervention, are moving heaven and earth to keep alive Arnold's projected suit to force disintegration of 22 major oil companies.

#### Rifle Debate Continues

THE ARMY is standing pat for the Garand semi-automatic rifle, but opinion is divided within the armed services. The Marine Corps is not sold on the Garand. Although allotted 13,000 Garands under the pending legislation, the Marines think maybe they'd rather have 1903 Springfields, on which production has been stopped. The Marines are interested, however, in the experimental semi-automatic that Winchester has worked up. They think the Winchester will cost about half as much as the Garand and can be turned out faster. Secret tests of the Winchester were made this month but the Army is keeping mum about results.

Meanwhile, the Army denies the reputed faults of the Garand, overheating and muzzle droop, and argues that even if another rifle might be better, the Garand is in production and it would take time to switch over.

#### Bethlehem Boost

WHEN BETHLEHEM STEEL CORP. this week announced a wage boost, effective Sept. 1, which will guarantee an hourly minimum of 62½¢ an hour to all production employees, the Department of Labor and the C. I. O. were both ready to crow. Secretary Perkins because Bethlehem thus fell into line with her two-year-old order setting the minimum wage for the steel industry under the Walsh-Healey law, John L. Lewis because just two weeks ago his S. W. O. C. launched its big campaign against Bethlehem (BW—Aug 10 '40, p. 44). The union claims the raise will mean a 15% increase for almost 10,000 workers.

#### Tin King Arrives

ARRIVAL of Simon I. Patino, Bolivian tin king, (BW—Aug 3 '40, p. 44) started the ball rolling this week on negotiations to get for the United States its own tin

#### High Profit Tax Likely

CONSIDERABLY heavier excess profit levies than those proposed by the House Ways and Means Committee are expected to be written into the revenue bill before its final enactment. Either higher rates, possibly with insertion of a new bracket, or lower exemptions, or both, are likely.

smelter, emancipate tin users from reliance upon British and Dutch plants. For nearly a month, the Defense Commission has held off talking turkey on tin, waiting for Patino to sit in personally.

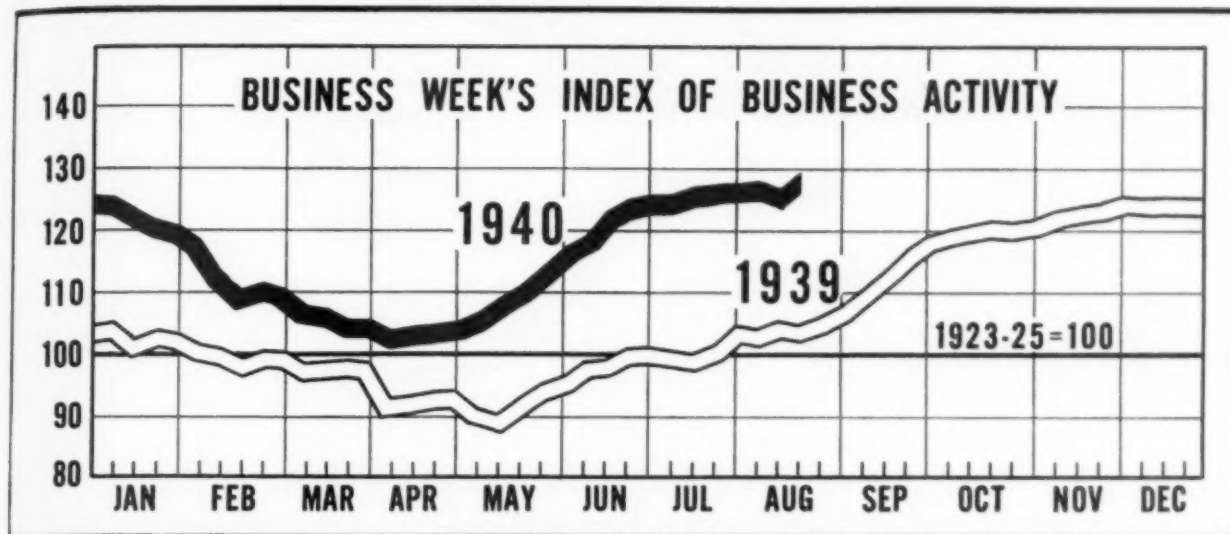
The companies Patino controls produce the bulk of Bolivian tin, only major source of ore in this hemisphere. Before the war, most ore was shipped to England and Holland for smelting, then brought here. With Dutch smelters in the hands of the Nazis, much smelting has been done recently in Singapore and Penang, which also are precarious sources.

★ Sure: Commission expects to wangle a smelter for this country some way, and quickly will propose a government-built plant leased to a private operator if no company will take the initiative.

#### P.S.

LONG CRITICIZED for turning out press releases which tend to smear respondents charged with unfair trade practices on the mere allegations of its complaints, the Federal Trade Commission has had a change of heart. Beginning this week, answers filed to the Commission's complaints also will be covered in press releases. . . . A "PRE-PAYMENT" plan has been approved by the Wage-Hour Division under which employers may guarantee a regular basic wage each week to men on jobs that give them wide differences of weekly income because of overtime pay. This plan should not be used without full knowledge of details given in a supplement to Interpretative Bulletin No. 4. . . . TURTLE-BACK battleship plans proposed a few months ago to foil air attack have dwindled to a program of (1) substituting guns capable of both surface and anti-aircraft fire for some that are now only usable against surface craft, (2) increasing the protective screening around deck guns. This is moving forward rapidly on all ships. . . . AN INFORMAL POLL of the Senate points to overwhelming approval of the omnibus transportation bill, already approved by the House. . . . CONGRESS probably will permit the War Department to waive performance bonds on negotiated contracts. The Navy now has this authority. Lloyds of London probably will be barred from writing bonds on contracts where coverage is required.

## THE FIGURES OF THE WEEK



## THE INDEX.....

% Latest Week	Preceding Week	Month Ago	6 Months Ago	Year Ago
*129.4	†126.9	127.6	110.2	105.3

## PRODUCTION

Steel Ingot Operations (% of capacity).....	89.7	89.5	88.2	67.1	62.2
Automobile Production .....	20,475	11,635	53,020	95,050	12,955
Engineering Construction Awards (Eng. News-Rec. 4-week daily av. in thousands).....	\$14,159	\$10,989	\$15,341	\$9,210	\$10,176
Electric Power Output (million kilowatt-hours).....	2,606	2,589	2,524	2,476	2,368
Crude Oil (daily average, 1,000 bbls.).....	3,519	3,475	3,580	3,718	2,481
Bituminous Coal (daily average, 1,000 tons).....	1,428	11,389	1,382	1,642	1,255

## TRADE

Miscellaneous and L.C.L. Carloadings (daily average, 1,000 cars).....	72	72	72	65	68
All Other Carloadings (daily average, 1,000 cars).....	49	48	51	39	42
Check Payments (outside N. Y. City, millions).....	\$3,925	\$4,410	\$4,737	\$3,713	\$4,128
Money in Circulation (Wednesday series, millions).....	\$7,944	\$7,929	\$7,872	\$7,411	\$7,091
Department Store Sales (change from same week of preceding year).....	+8%	+5%	+7%	None	+6%

## PRICES (Average for the week)

Spot Commodity Index (Moody's, Dec. 31, 1931=100).....	150.0	150.2	154.3	160.2	140.1
Iron and Steel Composite (Steel, ton).....	\$37.73	\$37.66	\$37.57	\$37.00	\$35.97
Scrap Steel Composite (Iron Age, ton).....	\$19.00	\$18.63	\$18.17	\$16.71	\$15.46
Copper (electrolytic, Connecticut Valley, lb.).....	10.89¢	10.75¢	10.60¢	11.29¢	10.50¢
Wheat (No. 2, hard winter, Kansas City, bu.).....	\$0.68	\$0.70	\$0.68	\$0.98	\$0.64
Sugar (raw, delivered New York, lb.).....	2.63¢	2.65¢	2.67¢	2.83¢	2.83¢
Cotton (middling ½", ten designated markets, lb.).....	9.72¢	9.88¢	10.10¢	10.69¢	8.89¢
Wool Tops (New York, lb.).....	\$0.976	\$0.988	\$0.962	\$1.048	\$0.860
Rubber (ribbed smoked sheets, New York, lb.).....	19.65¢	19.62¢	22.12¢	18.97¢	16.70¢

## FINANCE

Medium-Grade Corporate Bond Yield (30 Baa issues, Moody's).....	4.79%	4.76%	4.77%	4.82%	4.86%
U. S. Bond Yield (average of all issues due or callable after twelve years).....	2.28%	2.25%	2.29%	2.31%	2.17%
U. S. Treasury 3-to-5 year Note Yield.....	0.60%	0.59%	0.56%	0.46%	0.43%
Call Loans Renewal Rate, N. Y. Stock Exchange (daily average).....	1.00%	1.00%	1.00%	1.00%	1.00%
Prime Commercial Paper, 4-to-6 months, N. Y. City (prevailing rate).....	½-¾%	½-¾%	½-¾%	½-¾%	½-¾%
Business Failures (Dun & Bradstreet, number).....	279	252	288	292	253

## BANKING (Millions of dollars)

Demand Deposits Adjusted, reporting member banks.....	20,789	20,712	20,932	19,082	17,641
Total Loans and Investments, reporting member banks.....	24,121	24,101	23,743	23,202	22,337
Commercial and Agricultural Loans, reporting member banks.....	4,461	4,446	4,464	4,309	3,912
Securities Loans, reporting member banks.....	845	856	882	1,094	1,195
U. S. Gov't and Gov't Guaranteed Obligations Held, reporting member banks.....	12,008	12,005	11,644	11,275	10,811
Other Securities Held, reporting member banks.....	3,609	3,604	3,582	3,411	3,340
Excess Reserves, all member banks (Wednesday series).....	6,390	6,330	6,882	5,580	4,590
Total Federal Reserve Credit Outstanding (Wednesday series).....	2,495	2,471	2,501	2,530	2,453

## STOCK MARKET (Average for the week)

50 Industrials, Price Index (Standard Statistics).....	95.4	97.4	95.0	119.2	118.0
20 Railroads, Price Index (Standard Statistics).....	26.3	26.6	26.3	31.1	26.1
20 Utilities, Price Index (Standard Statistics).....	60.2	61.3	61.5	70.0	68.6
90 Stocks, Price Index (Standard Statistics).....	79.3	80.8	79.2	97.8	89.1
Volume of Trading, N. Y. Stock Exchange (daily average, 1,000 shares).....	250	345	229	739	740

\* Preliminary, week ended August 17. † Revised. § Date for "Latest Week" on each series on request.





## AMERICA'S FIRST LINE OF DEFENSE

**N**OT Europe, not even those outlying naval bases that protect our shores—America's first line of defense is American industry. It is to industry that the nation looks today for the armaments to protect America's high living standards, to defend the American way of life.

In the last two generations American industry has built a great nation. Its workmen, scientists, and engineers have helped produce and put to work more than one-third of the world's electric power and one-half of its mechanical energy. They have given us electric lights in 24 million American homes and electric refrigerators in 13 million—conveniences which represent the highest standard of living and the greatest industrial achievement in the world. And the manpower, the inventive and manufacturing genius, the experience, the daring to tackle difficult tasks—assets which have helped to produce this high standard of living—are among America's strongest resources today.

*G-E research and engineering have saved the public from ten to one hundred dollars for every dollar they have earned for General Electric*



Not a cannon, but the 130,000-pound shaft for a great electric generator being built in the General Electric shops in Schenectady. When completed, the generator will deliver 75,000 horsepower of electric power.

Industry today undertakes the task of building, not only armaments, but, equally important, the machines that can be used to manufacture these armaments in quantity sufficient for any emergency. And General Electric scientists, engineers, and workmen, who for more than 60 years have been putting electricity to work in America's peacetime pursuits, are today turning to the new job—the job of defending the benefits electricity has helped to create.

# GENERAL ELECTRIC

962-7731

August 24, 1940

## THE BUSINESS OUTLOOK

**Index climbs to high for year, but advance still is not rounded. Non-durable goods lag behind heavy industries; stock and commodity prices fail to reflect increases in corporate profits or business volume.**

THE BUSINESS WEEK INDEX this week pushed into new high territory for the year, approaching the 130 level. But the story of business is still pretty much the same: durable goods production leads on the advance, non-durable goods output lags. It is noteworthy, for instance, that *Engineering News-Record* contract awards this week have had another big week, that automobile production has turned around decisively after the changeover shutdowns to start a rapid climb into regularized assemblies of new models.

### Consumers Are Spending, But . . .

At the same time, miscellaneous and less-than-carload-lot freight shipments have been in a downtrend for several weeks now. Here is a more or less positive indication that consumer goods have not been moving as might be expected during a period in which high payrolls in the heavy industries are being spent. As has been said here so often, purchasing power is on the loose—it's not being hoarded—but the expenditures have been for such durable consumer goods as automobiles, electric refrigerators, ranges, washing machines and other appliances, and general home furnishings (*BW—Jul 27 '40, p. 12*). An analysis of retail sales in the August *Survey of Current Business* bears this out.

### Motor Demand for Steel

Symbolic of the national defense character of the current advance in business, steel mill operations this week increased modestly from 89.5% of capacity to 89.7%. Normally, with the rate around 90%, some slackening off might be set down as the "logical expectation." But automobile takings of sheets and strip will increase rapidly over the next few months. Not only will this tend to sustain current high output of ingots, but it might cause actual destocking by steel companies which have built up inventories in anticipation of motor demand. To the extent that there is destocking, of course, it would mean that ingot operations would fail to reflect completely the full volume of steel which was being used.

Until the non-durable goods participate in the advance in business, the re-

covery cannot be said to be rounded. Shoe output is expanding somewhat, and textile markets are beginning to reflect reorders from retailers for fall merchandise. Yet concerted buying of the so-called "soft" goods is lacking. Consequence: A widespread willingness to distrust the recovery, to regard it as an economic aberration which will come to an untimely end with any substantial provocation.

By a "substantial provocation" is usually meant a defeat for Great Britain. Nervousness over that contingency cannot be gainsaid. The weakness—week after week—in the commodity markets indicates that purchasing agents are wary of heavy inventories (*Outlook Chart*). Yet commodity prices seldom slip off while business expands; nor do stock prices customarily decline in the

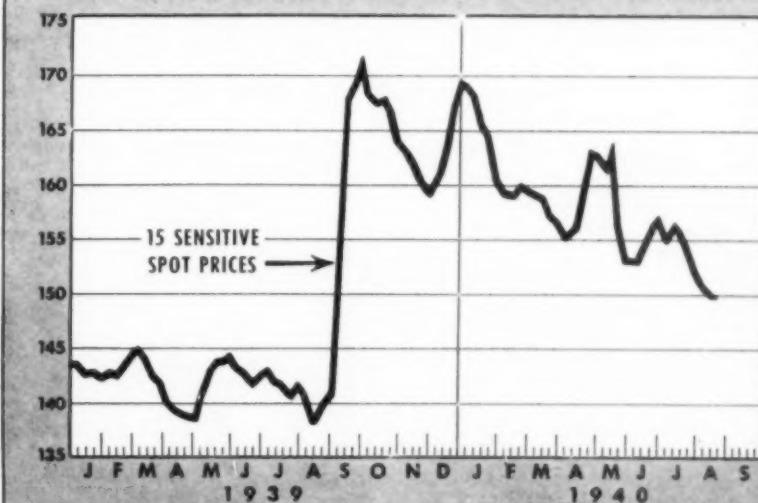
face of substantial increases in business indices and corporation profits. But heterodox performances are to be expected in wartime.

### Investors Are Distrustful

A long-term factor gets in the way of a repetition of past relationships between economic phenomena. Investors and speculators are distrustful about the general tone of things to come. In the United States, for instance, profits have shown a tendency to contract in recent years, despite high levels of industrial activity (*BW—Aug 10 '40, p. 56*), so current corporate earnings are heavily discounted (pages 46, 47). Moreover, political uncertainty—not merely over the coming Presidential election, but over the type of our government in years to come—has caused many investors to choose liquidity in preference to a common stock stake in business. That naturally takes some of the underpinning away from the stock market.

And currently, all judgments take into account the effect of a British defeat on American business; many business

### IN THE OUTLOOK—COMMODITY PRICES



For nearly a year commodity prices have been declining persistently. The outbreak of war last September sent major agricultural and industrial raw materials on a tear. Then a slow downdrift began—punctuated by sharp rallies. As yet no firm base has been established, and purchasing

agents are reluctant to buy far ahead and assume risks of inventory losses. Historically, strength in commodity prices has accompanied business expansion. But for months now—roughly speaking—the business and commodity curves have followed their own divergent ways.

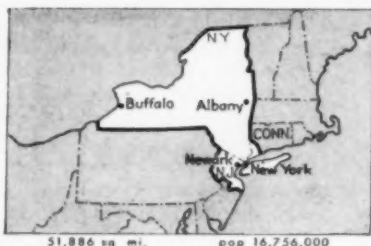
analysts envision an immediate fall-off in orders and a serious cyclical downturn. BUSINESS WEEK does not share this view—on the theory that national defense is a continuing force for industrial expansion; that, at worst, a sharp break of two or three months would seem to be more likely.

But what, if in the next fortnight, it

becomes increasingly clear that Britain may weather the current attack? Then may not investors and speculators take a different view of things? May not they accept British plans for orders from this country in 1941 and 1942 at face value? If so, the entire psychology of the markets may change. And economic phenomena—business indexes and the

markets—will start to move in step again. This is no wishful conjecture, either. Both stock and commodity prices showed a willingness to advance after Prime Minister Churchill's speech for Mr. Churchill—by his earnest confidence—convinced some of our doubting Thomases that Great Britain is still in the war for all she is worth.

## The Regional Business Outlook



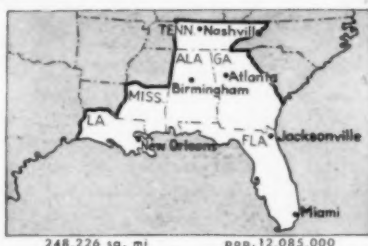
**NEW YORK**—As anticipated (*BW—Jul 27 '40, p. 14*), retail trade has advanced in this Reserve district. In July, department store sales rose 2% more than seasonally, and a similar gain is in prospect this month. With a banner second half for interest and dividend payments in the offing, stock and bondholders are beginning to spend more freely on luxury goods.

Bullish, too, for retail volume here is the outlook for the clothing industries. As the fall season approaches its peak a month or two hence, indications of a payroll rise over 1939 multiply. That, of course, means increased buying power locally. Government orders are stimulating activity in the men's clothing plants, while expanded national income provides a firm base for buying in diversified lines. Reorders for women's cloaks and suits have picked up smartly and are ahead of 1939.

### Heavy Goods Areas Lead

The industrial areas dominated by metal and machinery activity are far ahead of the consumer goods centers. Factory payrolls in the Syracuse, Buffalo, and Albany-Schenectady-Troy territories are now running 30% ahead of 1939. In northern New Jersey, industrial towns—Newark, Jersey City, Elizabeth, Kearny—where heavy goods production bulks large, trade has been brisker than across the Hudson.

Though this Reserve district is about 85% urban, there is a 2,000,000 rural population which provides a comparatively stable market for goods. And this year, largely because of higher dairy and livestock prices, receipts are running 10% to 15% ahead of 1939—on a par with 1937.



**ATLANTA**—Hurricanes, torrential rains, and floods caused crop and property damage in this Reserve district this month—especially in coastal Louisiana, Mississippi, and Georgia, and along river bottoms of inland sections. But, by and large, industrial activity continued to rise.

Bright spots are: (1) The Birmingham-Gadsden steel-making area; (2) the shipbuilding cities of Tampa, Fla., and Pascagoula, Miss.; (3) Jacksonville, Miami, Pensacola, and Key West where aviation bases are located; (4) the Knoxville area where the \$36,000,000 TVA Cherokee Dam is under way.

### Construction Spurt Continues

Construction is running along at the best pace since the middle 'twenties, as contracts awarded for industrial plants, residential developments, and military and naval bases steadily mount. Demand for lumber has expanded rapidly of late, stimulated by local and national requirements. But the floods have slowed up operations.

Consumer goods output is just about carrying on. Based on present indications of retail and mill stocks, of cloth consumption, and of conditions in cotton goods markets, textile mill schedules will stay around current levels—below last fall, but above last summer.

Farmers were disappointed in the new cotton loan, which is only slightly above 1939. Production may well drop, and with prices slipping down toward the loan price—because of poor export prospects—cotton income may be off. Only abundant food and feed crops promise to bring better returns than in 1939; so far, farm income has run about even with a year ago.



**KANSAS CITY**—With dry weather in the past month, the wheat-corn paradox in this Reserve district (*BW—Jun 22 '40, p. 14*) has almost worked out to a standstill. Dry weather helped the wheat harvest—the crop increased by 25% in two months—but corn, thirsting for rain, fared badly. As a result, the net gain since June is small, and farm income will not show much improvement over 1939.

Retail sales reflect this. Since the winter drought, seasonally adjusted department store indexes have held steady, only 1% to 2% above 1939 levels, while national sales are up more than 4%. Currently, the disparity has shown a tendency to widen. National industry has been directly stimulated by the defense program; but livestock and dairy prices, on which this agricultural region is banking for income gains, react slowly to expanded national purchasing power. Thus, sales here may continue to lag.

### Government Orders

Army and Navy contracts promise to lift employment and payrolls in several cities. Government demand for aircraft, airports, pilots, and skilled aircraft workers, will be a stimulus to Wichita, Kansas, and Tulsa, Oklahoma. Orders for shells and tents have been received in Omaha, and for uniforms in Kansas City.

In the western part of this region—in Wyoming and Colorado—where the agricultural outlook is relatively more favorable, industrial centers are outstanding. Colorado Fuel and Iron's Pueblo steel plant is operating at capacity. This keeps busy iron mines at Sunrise, Wyoming, and coal mines in southern Colorado. Vanadium and molybdenum operations are up.

*The Regional Outlook surveys each week three of the twelve business areas of the country.*



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Wide World

While President Roosevelt pondered defense operations in New York and New England last week . . .

## How Defense Orders Are Placed

**System is still in formative stage, but here are some do's and don't's which will help if you are interested. It may take time, but your chances are good.**

WASHINGTON (Business Week Bureau)—Do you want a defense order? You have a good chance of getting it if you really go after it—as on any other selling operation—and can give good reasons for getting it. Depending on the nature of your business, it may take a little time but don't be discouraged. The defense program isn't in full swing yet.

Of course, if you are an optical instrument manufacturer and can make range finders, get to Washington fast. You will be welcomed with open arms and probably be invited out to dinner. But if your product or the article you would like to make for the Army or Navy doesn't—like this one—rate the distinction of being a "bottleneck" to be handled here, go

first to the nearest government procurement office. If you don't obtain satisfactory information there, then get in touch with Donald M. Nelson, Coordinator of Procurement, National Defense Advisory Commission, Federal Reserve Building, Washington. Write full details or come in person. Send your Congressman if you like—and can. Nelson's office will get you straightened out.

As a topflight salesman you may be skeptical, but the suggestion that you get acquainted with the local procurement office isn't just a rather crude way of giving you the runaround. Big shots here are convinced that this business of equipping the country for defense won't get to first base unless the Army's pro-



Wide World

. . . Wendell Willkie came home to Elwood, Ind., to discuss preparedness in his acceptance speech.

curement program is put on a decentralized basis. If local procurement officials don't know you, they will be glad to meet you. They want to distribute business.

You will know, of course, whether your plant already has been surveyed in conjunction with the industrial mobilization plan. If it has, a description of the plant and its capacity to produce what it is best suited for already is on file at a local procurement office and in Washington. This file is very much alive and will be continuously used.

### Contact the Local Office

If your plant has never been surveyed, notify the local procurement office. If it has been improved or extended since it was surveyed, inform the officials there. Tell them, if you like, that you want to get started on a government order soon. Advise them also whether you are willing to risk enlarging your plant now or you can't see your way clear to doing that until you get an actual order.

If you want to put yourself down for the manufacture of munitions of any sort, it's particularly important that you get in touch with the Army Ordnance district office as it is being ordered actually to fill assigned quotas of various items from its territory and these offices now are, for all practical purposes, contract-letting units. Addresses of district offices of various branches of the Army have appeared in *BUSINESS WEEK* (*BW*—June 8 '40, p. 52). They are also listed in a bulletin which may be obtained from U.S. Bureau of Foreign and Domestic Commerce, Washington.

The War Department's new policy of decentralization of procurement has been dictated by the fact that our Army has to be built practically from the ground up. The Navy, which presumably is always ready to meet an emergency, has

only to expand and, for the most part, will continue to use centralized purchasing. If interested, request the Bureau of Supplies and Accounts, Navy Department, Washington, to put you on the mailing list for bid advertisements.

Perhaps you would like to be in line for an "educational order." Under the system inaugurated two years ago the Army has been awarding such orders to interested firms that are apparently capable of developing mass-production techniques which have been on a job-shop basis in the past. There is darn little profit to be made out of an educational order. The chances are you will be out of pocket, but manufacturers who have accepted such orders can count on production orders to follow.

### Perseverance May Be Necessary

If you've got an entirely new military article, or a design that you believe is superior, visit the nearest arsenal. The chances are that, if you come to Washington with it, you would be passed down to the arsenal anyhow. Better get the reaction at the arsenal before you come to the Capitol. If you get some encouragement, then it will be time to talk to Brig. Gen. Charles T. Harris, Assistant Chief of Ordnance (in charge of procurement) about an order.

To put yourself on the map in the defense program, perseverance may be necessary, just as in any business.

Competitive bidding will remain the backbone of the system and contracts will be awarded to low bidders. Possibly this will remain invariable practice with reference to procurement of *commercial* items, except where it's necessary to build new capacity. That can only be arranged on a negotiated basis. But in procurement of *strictly military* articles, contracts will, to an increasing extent,

be awarded by negotiation. Negotiated contracts—such as the War Department has already closed with du Pont and Hercules for powder supplies, and with Chrysler for tanks, and the Navy with contractors for certain shore and air bases—are figured on cost plus a fixed fee for performance of the contract.

### Competitive Bidding Modified

Officials don't especially like negotiation of contracts because it exposes them to pressure but they realize that speed and capacity can be obtained by distributing business. In anticipation of tremendously increased requirements for commercial items and in an endeavor to spread business, the Army Quartermaster Corps has modified competitive bidding to the extent of inviting bids on an f.o.b. plant basis, whereby the government pays freight on large orders; also by permitting split bidding, whereby bidders will be advised of maximum and minimum quantities that may be awarded to any one of them.

While waiting for conscription to pass, the War Department is preparing lists of material to be contracted for as soon as the money is available. It might be a good idea to get lined up with your local procurement office about that.

## Welding the Americas

**Nelson Rockefeller gets job of coordinating increasing efforts at closer ties with Latins.**

A ROCKEFELLER will coordinate Washington's plans to develop closer commercial and cultural relations with Latin America; 15 Latin American students will soon be arriving in this country for a year's study in the United States; a part of the New York World's Fair may be made into a permanent Inter-American Trade Fair. These developments this week pushed Latin America into the business limelight in spite of the tense situation in Europe.

Nelson A. Rockefeller, 30-year-old second son of John D. Rockefeller, Jr., and head of the Rockefeller family's main real estate interest—Rockefeller Center, has been appointed by President Roosevelt to be coordinator of our spectacular new plans to bring about closer commercial and cultural relations with our neighbors south of the Rio Grande. The new appointment automatically makes young Rockefeller chairman of the Inter-Departmental Committee on Inter-American Affairs in Washington.

Other moves reflect this country's swiftly developing interest in Latin America. On Fifth Avenue in New York, workmen are busy tripling the size of the office of the Brazilian Information Bureau, and carrying out novel plans for a swank "coffee bar" which will be a feature in the display salon of Brazilian



Nelson Rockefeller, coordinator of Washington's Latin American plans.

## Where to Get Information About Latin-America

IN ADDITION to the Pan American Union and the embassies of the individual countries in Washington, logical sources of information are the consular offices maintained in all principal cities. The New York address of the consulate general is given in parentheses after each country name in the following table; addresses of all other trade and travel agencies are also those for New York City bureaus.

- Argentina (9 Rockefeller Plaza)  
Argentine Information Bureau  
122 East 42 St.  
Argentine Commercial Attaché  
20 Exchange Place  
Argentine-American Chamber of Commerce  
100 William St.
- Bolivia (10 Rockefeller Plaza)
- Brazil (10 Rockefeller Plaza)  
Brazilian Information Bureau  
551 Fifth Ave.  
American Brazilian Association, Inc.  
30 Rockefeller Plaza
- Chile (9 Rockefeller Plaza)  
Chile American Association  
225 Broadway
- Colombia (21 West St.)  
Colombian Information Bureau  
21 West St.  
Colombian American Chamber of Commerce  
21 West St.
- Costa Rica (17 Battery Place)
- Cuba (17 Battery Place)  
Cuban Commercial Attaché  
17 Battery Place  
Cuban Commissioner of Agriculture  
105 Hudson St.  
Cuban Chamber of Commerce in the U. S.  
67 Wall St.
- Dominican Republic (30 Rockefeller Plaza)  
Dominican Chamber of Commerce in the U. S.  
30 Rockefeller Plaza
- Ecuador (30 Rockefeller Plaza)  
Ecuadorian Chamber of Commerce  
2 Broadway
- El Salvador (270 Broadway)
- Guatemala (30 Rockefeller Plaza)
- Haiti (90 Broad St.)
- Honduras (17 Battery Place)
- Mexico (70 Pine St.)  
Mexican Government Tourist Bureau  
630 Fifth Ave.  
Mexican Chamber of Commerce of the U. S.  
60 Wall St.
- Nicaragua (17 Battery Place)
- Panama (90 Broad St.)
- Paraguay (230 Park Ave.)
- Peru (10 Rockefeller Plaza)  
Peruvian Information Bureau  
21 West St.  
Peruvian-American Association of Commerce  
100 William St.
- Uruguay (17 Battery Place)
- Venezuela (21 West St.)  
Venezuelan Touring Co.  
2067 Broadway  
Venezuelan Chamber of Commerce of the U. S.  
21 West St.

<sup>1</sup> Also maintains offices in Los Angeles, San Antonio, and other cities.

ceived by the Bureau have increased from an average of 15 a month two years ago to 650 in June. It is rumored that at least two other offices will be opened in this country soon, probably in the Middle West and on the West Coast.

At the beginning of the week, Pan American Airways, cooperating with the Institute of International Relations, announced that the fourth group of "flying fellowship" students would soon arrive in this country. They come from eleven Latin American countries as part of a campaign to promote Western Hemisphere goodwill.

The State Department in Washington also announced, in line with its scheme to promote closer inter-American cultural relations, that five Americans have been chosen to study this year in Latin American universities and that four Chileans are coming here for advanced study.

### Fair Buildings Permanent?

Rumors have been current for some months that at least a part of the New York World's Fair buildings might be converted into a permanent exhibit of Pan American products. The rumor cropped up again this week when the Dominican consul in New York definitely proposed that the scheme be carried out, with each of the 21 Pan American countries carrying its share of the expense.

Travel agents and shippers are watching with keen interest each new announcement about the Inter-American Maritime Conference which is to be held in Washington beginning Oct. 2. Agenda sounds like any maritime conference—hemisphere transportation needs, port dues, effects of the war on shipping. Actually, insiders insist that there's likely to be excitement at the meeting with Washington insisting on some special concessions in freight rates to meet

anticipated post-war competition from Europe, and unexpected bargains in passenger fares in order to speed up plans to get North and South Americans acquainted with each other.

While Washington's experts are wrestling with schemes to increase inter-American trade, one smart New York shop has tackled its own problem with considerable ingenuity. Bonwit-Teller has created a Pan-American fashion service which is supervised by two women with a wide knowledge of South American life and customs.

Visiting South Americans are waited on by sales people who speak their language and who know their clothes needs and preferences. Winter clothes, months ahead of their appearance in New York, are available in June and July to take care of needs below the equator where the seasons are reversed. By following up their customers by mail, keeping files of their measurements, needs, and preferences, and even providing a shopping service which will purchase goods in other New York stores, a store-customer relationship is being established on a permanent basis.

## Rockefeller on Waste

**David's Ph. D. thesis at Chicago demonstrates our inefficiency—on microfilm for press preview.**

A PH. D. THESIS at the University of Chicago got a press preview this week. Interest in this event, rare if not a "first" in academic annals, was heightened when page after page of the text was projected from microfilm to a screen that preview guests might read—a procedure less costly than preparation of a sufficient number of duplicate copies of



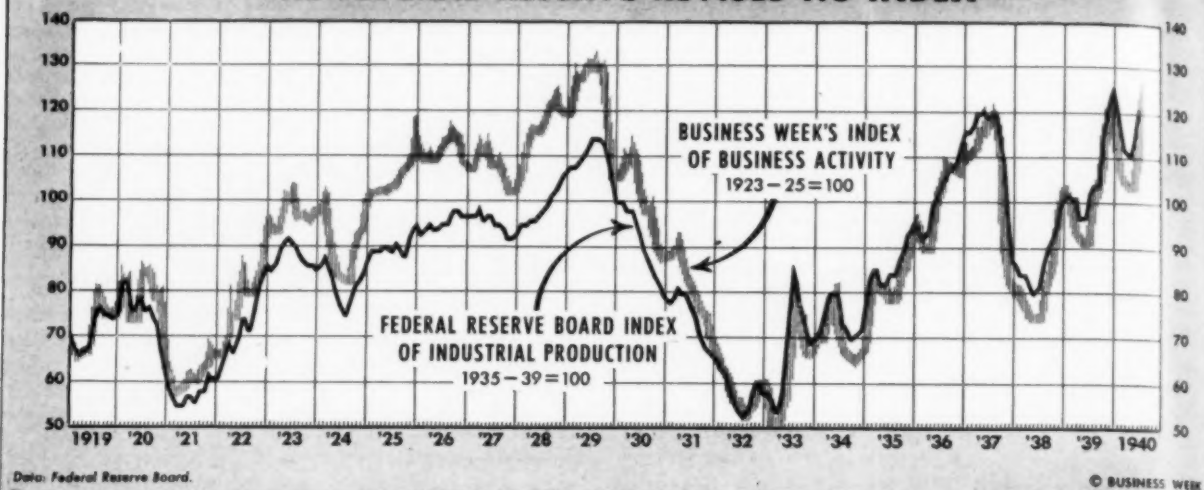
David Rockefeller—his Ph. D. thesis was given a press preview.

Harris & Ewing

products soon to arrive from South America. Personnel in the office is being doubled by the arrival of additional trade experts from Brazil. Inquiries re-



## THE FEDERAL RESERVE REVISES ITS INDEX



The August, 1940, issue of the Federal Reserve Bulletin is destined to become one of the most dog-eared copies in the publication's history. It contains the Reserve Board's new index of industrial production. And the index is of special importance, for it calls for a new concept of American industrial history (editorial, page 52). Whereas the Board's old index put 1929 higher than 1937, the new index puts 1937 higher than 1929. Inter-

estingly enough, the Board's new index has a constant shadow. From 1931 to the present, BUSINESS WEEK'S Index of Business Activity (as the chart plainly shows) foreshadows the course of the new Federal Reserve Board industrial production curve. Though this foreshadowing was not so marked from 1919 to 1931, its remarkable persistence for the last decade suggests that the relationship is likely to prevail in the future.

the 220 typed pages of the manuscript.

The news interest in the dissertation is not in its subject, "Unused Capital Resources and Waste." What drew a roomful of newspapermen was that the author is David Rockefeller, son of John D., Jr. They really wanted to learn what a Rockefeller thinks about waste and to see work by a member of the family which has given so many millions to the University that the Lamp of Knowledge on its shield has always been said to burn Standard Oil.

For two years, David unobtrusively toiled among the vineyards of the economics department, and successfully kept out of the public eye. Only time he broke into newsprint was last year when an attendant who had been sweet-talked by generations of hard-up students refused him the use of a campus tennis court for lack of 15 cents net cash. But despite this one setback he got plenty of tennis and horseback riding, and even added a few specimens to his life-long collection of beetles. He lived in a \$50-a-month furnished apartment.

### A Hard-Working Student

At 25, tall, husky, young Rockefeller was a little more mature than most of his fellow graduate students. His colleagues say he has a good mind, was a competent, hard-working student, ambitious to improve himself. He tactfully side-stepped all efforts to lionize him, but made quantities of friends among graduate students and faculty members—

showing a rare knack for picking those who are both socially and mentally stimulating. His Ph. D. was awarded him *in absentia* this week. He finished drafting his thesis four months ahead of time, went home, married, settled down as a secretary to Mayor LaGuardia.

If the financial editors and wire-service legmen who rallied in Swift Hall for a day of reading microfilm projections expected that Rockefeller on Waste would prove sensational, they were disappointed. His aim in the thesis is "a foundation for a theory of waste in a democratic society." As might have been forecast, he comes out strongly against waste. He defines it: "Waste denotes an unfavorable comparison between an actual situation and another possible or ideal situation . . . Waste is a degree, not a magnitude."

He starts right out by saying that the most abhorred form of waste is idleness, and that capital resources become idle for broadly the same reason that labor becomes unemployed.

Young Rockefeller's down-to-earth grasp of the commercial facts of life is shown by his constant discrimination between what constitutes waste to a business and what constitutes waste to society. He recognizes that the business man properly sets his output at the level which seems most profitable to his firm, not at the level which might be said to best serve society. And he points out that this profitable level differs according to the rate of social and tech-

nical changes occurring at the moment.

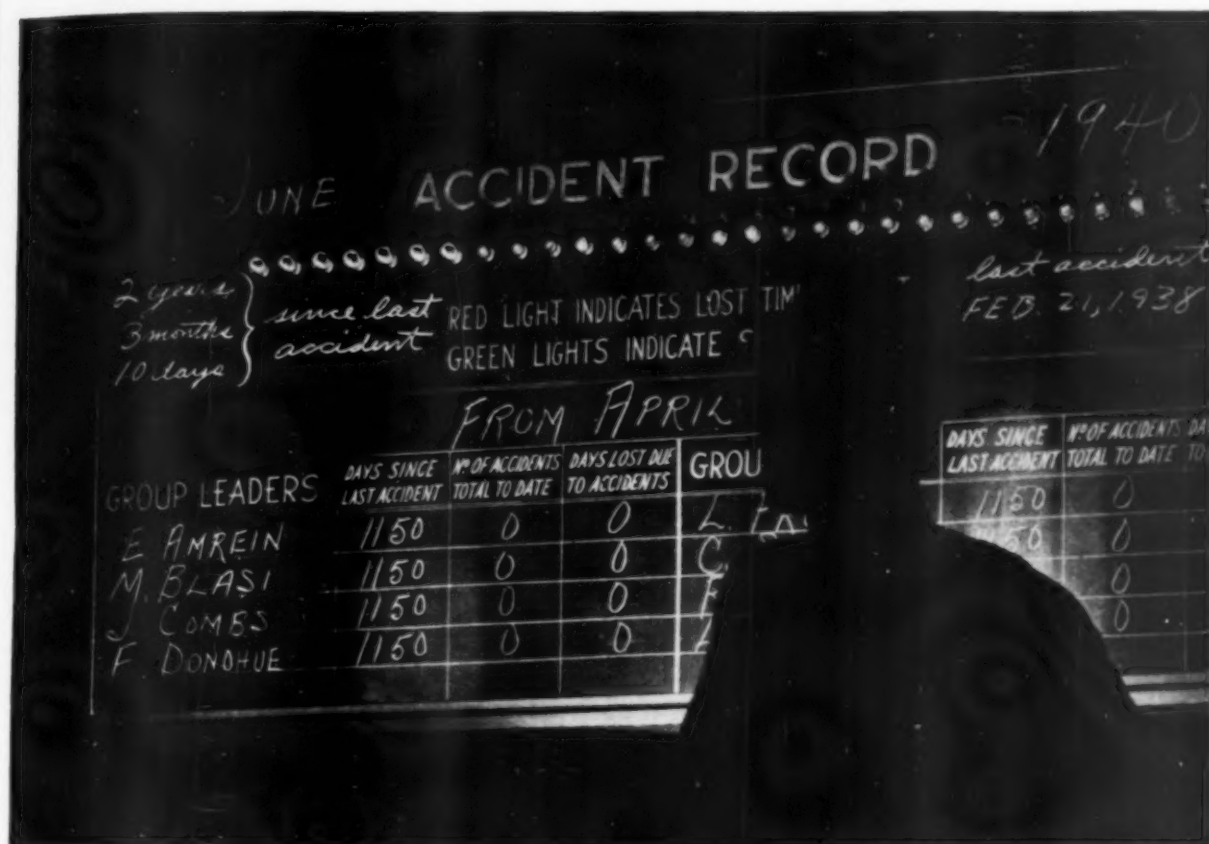
But he also recognizes that "unused capacity may or may not be wasteful depending . . . on cost and demand." He cites as waste neither to the firm nor to society the practice of having several short-season canneries scattered in localities handy to fruits and vegetables, rather than hauling the raw material to one plant which could be operated more months of the year. The business man who makes the best use of productive capacity in the light of his knowledge may be said to use those resources ideally so far as he is concerned. He concludes that "there is no close correlation between unused capacity and waste." And he makes the sage observation that "unused fixed equipment is more likely to be an indication of past errors in judgment than of wasteful operation."

### Monopoly—"Evidence of Waste"

He finds causes of waste in a wide variety of phenomena. Uncertainty of business men's expectations is one major source, and this in turn arises from such causes as "monetary instability . . . political perturbations, price manipulations by monopolies, and the like."

John D. the First is doubtless whirling in his grave over his grandson's assorted cracks at monopoly. "Monopoly elements in the system give *prima facie* evidence of social waste, but they are rarely indicative of waste to the individual firm . . . Social costs involved in eliminating monopoly must be weighed

"Unforeseen events... need not change and shape the course of man's affairs"



## HOW MUCH IS A LIFE WORTH?

It has frequently been charged that business is callous, and grasping, and greedy... that it is devoid of human feeling.

The most sweeping refutation of that charge is the amazing record for *safety* which American business and industry have achieved. For nowhere in the world is the worker better protected against industrial hazards than in these United States of America.

For years, leaders of industry have cooperated with casualty companies such as The Maryland in furthering *safety*

engineering. Today, Maryland safety engineers cover industries everywhere... inspecting, recommending, and guarding against hazards to the employee.

As a result, the efficiency of industry is higher, the cost of insurance is *lower*... and employment for the wage-earner is more continuous. The Maryland is proud to have played a part in reducing the industrial accident toll of today to *less than half* what it was in 1917. Maryland Casualty Company, Baltimore.

## THE MARYLAND

The Maryland writes more than 60 forms of Casualty Insurance and Surety Bonds. Over 10,000 Maryland Casualty agents and brokers can help you obtain protection against unforeseen events in business, industry and the home.

against the costs of allowing it to remain before it can be decided whether or not there is waste involved."

"Some degree of equality of income distribution seems likely to be more desirable than extreme inequality . . . There is no conclusive evidence that people with large incomes are capable of greater or less satisfaction than people with small."

"Waste is not an outstandingly important problem for small consuming units such as the family." In industry "there is no necessary correlation between unused capital resources and waste." "The really crucial wastes . . . are broad social wastes in the general economic system which from the standpoint of action lie alone in the province of governments."

"Non-economic wastes . . . make waste a truer and broader target."

## Huge U. S. Orders on Dotted Line

**While spectacular contracts are signed for tanks and powder plants, hundreds of peacetime businesses get in on purchases ranging from combs to cooks' aprons.**

WHEN JOE GREEN or Bill Jones quits a civilian job to join up with the armed forces, he retains his previous needs and appetites. Thereafter instead of paying for his own food, clothing, shelter, all bills are met by Uncle Sam. But the headlining of orders for tanks, guns, battleships, aircraft, munitions plants, and other heavy matériel overshadows the thousands of small contracts for commonplace consumer items which

carry defense spending through the main arteries out to the tiniest veins at the finger-tips of trade.

The spectacular orders continue. On Aug. 16 the War Department announced signing of a contract for a \$25,000,000 powder plant at Radford, Va. Federal money will be used, the plant being constructed and operated by the Hercules Powder Co. on a fixed-fee basis. This is the second government-financed smokeless powder plant; the first, awarded to du Pont, will be built across the Ohio River from Louisville. Army plans call for four smokeless powder and four TNT plants to be built with federal funds (*BW—Jul 29 '40, p. 22*). The plants above should not be confused with the du Pont unit which is being built at Memphis with British money.

Not on the earlier Army plans was the huge new Chrysler contract announced last week and carrying \$54,500,000 for mass production of tanks. (This is a definite commitment, not to be confused with those nebulous billions announced as "cleared" by the National Defense Commission.) The Chrysler contract provides \$20,000,000—with which the company will build and equip a tank plant—plus \$34,500,000 for a thousand 25-ton tanks to be produced therein.

### Requires Special Tools, Dies

While the building is going up, special tools and dies will be prepared. Only a few units of automobile manufacturing equipment can be adapted to making tanks. It will take 13 months to erect the plant. It will occupy 113 acres outside the Detroit city limits, will employ 4,000 to 5,000 men. Chrysler is to lease the plant for \$1 annually and produce tanks at a fixed price as long as may be required.

Another big chunk of war business went to Chrysler on Aug. 14 when the Army announced a \$10,518,000 order for the company's Fargo Motor division. It calls for 13,556 special trucks and 881 special sedans. Six days previously the Army revealed a \$9,333,000 order for Chevrolet trucks, and \$1,395,000 for trucks from the Corbitt Co., Henderson, N. C.

The construction industry is getting a cut of the business. Some big awards since Aug. 1 include: \$1,065,000 to Central Contracting Co., Atlanta, for Army airplane hangars at MacDill Field,

### Sandbags in Chicago



SANDBAGS ON LOOP sidewalks are not part of Chicago's air-raid precautions. Actually, when they are in sight, they are not in use—for contractors stack them as ballast in sub-sidewalk spaces to prevent damage to building walls from pressure transmitted from the rotary shields which are cutting subways under State and Dearborn Streets. Bedrock is 110 ft. beneath the Loop, and modern Chicago buildings are supported on caissons or driven piles. But older structures have floating foundations, and subway excavations can seriously damage these. Responsibility, when this happens, is the owner's—not the subway con-

tractor's. Some Dearborn St. old-timers (Monadnock, Old Colony, and Fisher Buildings) are having caissons set under their walls along the subway side. Costs run into box-car figures. More than a dozen others have been razed for taxpayers or parking lots to save the expense of strengthening the foundations. Only buildings to get caissons at the subway's expense are those beneath which it passes on turns. Boston and Philadelphia subways, like Chicago's, were cut through soil. The cost of such subways is far less than the cost of those in New York, where solid rock must be blasted before it can be removed from the tubes.

Wide World



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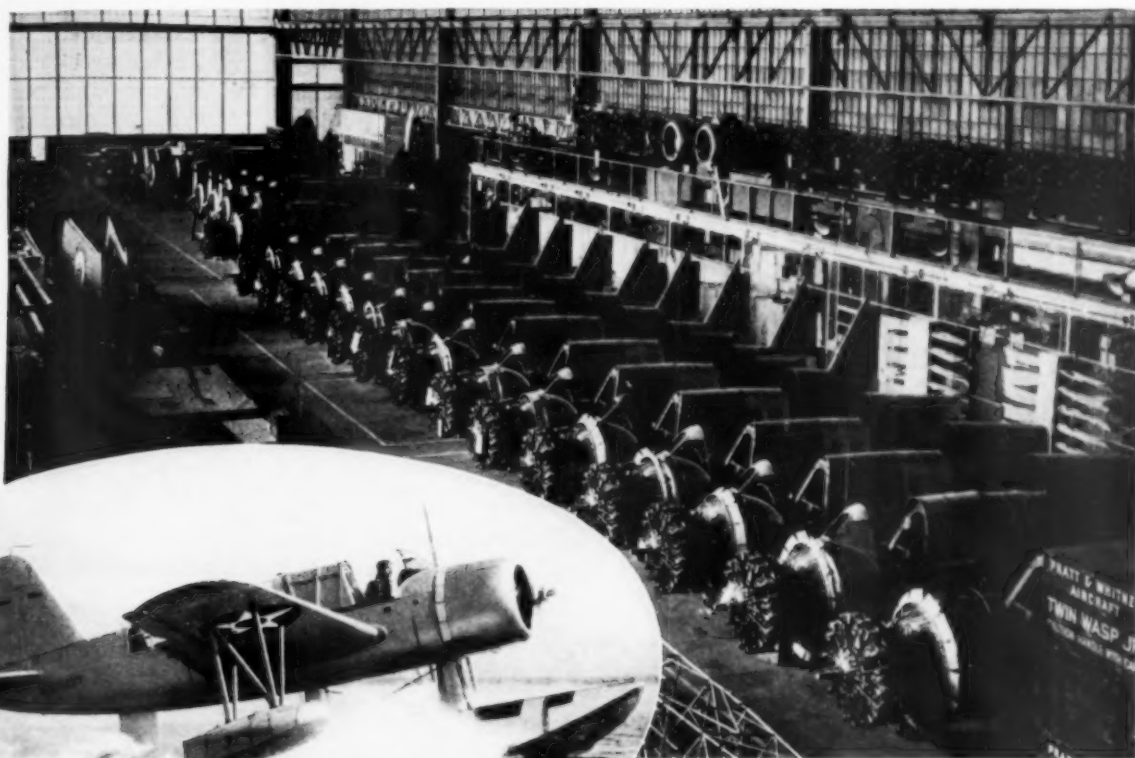
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## For the Flying Fleet

In the development of an efficient air arm, the United States Navy has long been the envy of the world. And now, with the new program for a "two-ocean" Navy already under way, the United States will be assured of the mightiest air armada that ever sailed the seas.

For twenty-three years, Vought-Sikorsky airplanes have served the

Navy. Today, with a recently-enlarged plant working at top speed, this long experience is bearing fruit in the production of still finer Vought-Sikorsky types for service with the Flying Fleet.

**UNITED AIRCRAFT  
CORPORATION**  
East Hartford, Connecticut



\* PRATT & WHITNEY ENGINES \* VOUGHT-SIKORSKY AIRPLANES \* HAMILTON STANDARD PROPELLERS \*

Fla.; by the Navy, a \$1,260,000 contract to United Engineers and Constructors, Philadelphia, for improving power plants at the Philadelphia and Charleston navy yards, and at Marine barracks, Parris Island, S. C., also \$2,394,000 to Charles W. Angle, Inc., Greensboro, N. C., for barracks, temporary housing, storage, and "aviation facilities" at Parris Island.

### Peacetime Businesses Included

Peacetime businesses by the hundreds get in on the smaller purchases. Thus the Navy paid \$8,196 to the C. Howard Pen Co., Camden, N. J., for pencil sharpeners, and \$7,600 to William Scrimgeour, Washington, D. C., for can openers.

Ramifications of defense buying are further illuminated by some of the smaller Army orders:

Armstrong-Blum Mfg. Co., Chicago; saws; \$2,112.

Indian Motorcycle Co., Springfield, Mass.; motorcycles; \$4,700.

Stromberg Time Corp., Des Moines, Ia.; time recorders; \$1,700.

American Foundry Equipment Co., Mishawaka, Ind.; sandblast barrels; \$3,309.

Karp Metal Products Co., Brooklyn; radio cabinets; \$20,461.

Textile Bag Corp., New York; bandoliers; \$36,250.

Bradner Smith & Co., Davenport, Ia.; target paper; \$32,222.

Keenan Supply Co., Philadelphia; quenching tanks; \$8,680.

American Air Filter Co., Louisville; dust collecting systems; \$1,992.

Pawtucket Standard Braid Co., Pawtucket, R. I.; shoe laces; \$2,957.

A. B. Farquhar Co., York, Pa.; hydraulic presses; \$3,290.

Colt-Cromwell Co., Boston; cap straps; \$1,115.

Buglecraft, Inc., Long Island City, N. Y.; trumpets; \$7,280.

Cairns & Bro., New York; fireman helmets; \$2,065.

### Mattresses to Operating Knives

Sure Fit Products Co., Darby, Pa.; mattress covers; \$68,915.

Rubberset Co., Newark; shaving brushes; \$14,800.

E. C. Brown Co., Rochester; strainers; \$8,759.

Lite Mfg. Co., New York; helmet linings; \$573,580.

Stromberg-Carlson Telephone Mfg. Co., Rochester; field telephones; \$148,000.

Animal Trap Co. of America, Lititz, Pa.; folding canvas cots; \$60,000.

Vulcanized Rubber Co., New York; rubber combs; \$5,481.

Blue Jay Mfg. Co., Huntington, W. Va.; bakers' and cooks' aprons; \$6,528.

Riegel Textile Corp., New York; white cotton handkerchiefs; \$66,480.

Art Neckwear Co., Philadelphia; black neckties; \$59,000.

P. R. Mitchell Co., Cincinnati; feather pillows; \$3,939.

Chas. A. Toebe Leather Co., Philadelphia; rubber cement; \$1,344.

And gleaming ominously at the bottom of one list, this: William Langbein & Bros., Brooklyn; operating knives; \$7,930.



Edward R. Stettinius, Jr., follows in the footsteps of his father, who in the World War first directed war buying for the Allies, then for the United States. As the member of the National Defense Advisory Commission in charge of raw materials,

he brings to his new job a background of experience in General Motors and U.S. Steel, and a first-hand knowledge of how government works gained in six years as a sort of unofficial liaison agent between Big Business and the New Deal.

## Stettinius Keeps Cool, Does the Job

**Defense commissioner in charge of raw materials has a high-powered telephone technique, a durable smile, and the knack of making people work together.**

INDUSTRY'S TWO TOP MEN in the drive against the dictatorships are prize examples of democratic inclusiveness. William S. Knudsen, head of production for the National Defense Commission, emigrated from Denmark and worked his way up from the south end of a monkey wrench. Edward R. Stettinius, Jr., the commissioner in charge of raw materials, worked his way out of the handicaps that beset one of the privileged class.

In some ways Stettinius' present job is the harder of the two. It runs into delicate foreign complications, notably in the case of rubber, tin, manganese, tungsten, chromium, antimony. Yet the bumps and abrasions of 12-hour, extra-hot Washington workdays haven't soured his disposition or slowed his delivery.

The Stettinius equanimity is a compliment to the counsels of his friend and University of Virginia philosophy professor, Dr. Billy Pott, who now heads Elmira (N. Y.) College. When he came to the defense job, Stettinius cleared his mental decks by resigning as chairman of U.S. Steel Corp. and stepping out of all trusteeships and charity organizations. But he didn't withdraw to any

such hermitage as Knudsen set up (*BW*—Jul 6 '49, p. 16).

Stettinius' Washington home is one of the big, outlying hotels. His room is fortified against the heat by air conditioning. Also refrigerated is the hotel dining room where he takes his breakfast. He eats a man-sized meal: fruit, eggs with ham or bacon, toast, coffee. Between 8 and 8:30 he arrives by taxi at the white marble palace of the Federal Reserve on Constitution Ave., where defense commissioners have temporary working quarters. This too is scientifically chilled. (Some day the air conditioning industry will develop a gimmick to measure the greater efficiency of properly cooled and ventilated executives).

### He Sees All Letters

Stettinius' mail is stacked on his desk, having been sorted by Bob Lynch, Mr. Stettinius' man Friday (also Saturday, Sunday, Monday, Tuesday, Wednesday, Thursday). The materials commissioner insists on seeing all letters. He carefully studies most of them. Those of lesser importance are tossed to stenographers for routine replies. Major com-

munications receive dictated answers during the day, whenever he can get time out.

Appointments begin at 9:30 and are held as closely as possible to 10-minute intervals. Lynch runs the interference and creates diversions for easing out time-killers. Visitors see a well-set personage who would look younger than his 39 years if it weren't for his prematurely white hair. His tanned face, dark eyebrows, quick smile have evoked comparisons with the New Deal's glamor boy, Paul McNutt.

#### Stettinius Acts as a Catalyst

Stettinius gets his share of screwball patriots. There is the earnest yeoman who suspects that the funny-looking out-crop in his cow lot is manganese. And the scientist with wild eyes who plans to cross rubber plants with our native dog fennel. And the earnest lady who wants to set the nation's kiddies to collecting old tin cans.

On such of these as crash the barriers, the Stettinius smile beams bravely until rescue arrives. This smile reminds old friends that he was head of the University of Va. Y.M.C.A. He got along well there with people though he wasn't a brilliant scholar. He says, "I like people." Naturally, therefore, people in and out of the Defense Commission like him. Instead of passing out imperial decrees, he asks assistants, "What do you think?"

Stettinius is an executive catalyst; most valuable is his knack of making people work together. An illustration is his first job for the Defense Commission. President Roosevelt appointed the members on Thursday. That afternoon Stettinius began to function. By keeping the phone wires hot, he set up his organization and got the Army to donate a wing room in its Munitions Bldg. Having hastily allocated the space, Stettinius called in Syd Sherwood, the commission's assistant secretary, and showed him the layout.

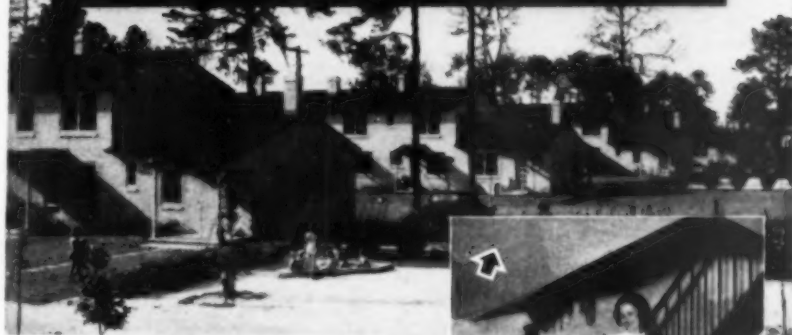
#### He Relies on the Telephone

Stettinius said, "I want each of these offices cleaned up and painted—two coats. Put in air-conditioning units. I want the furnishings complete with desks, chairs, telephones, typewriters, stationery. Now—what time tomorrow will it be ready?"

Sherwood located unused government office furniture and equipment, wangled War Department trucks to do the hauling, enlisted emergency painters. On Monday (three days later) the entire wing of offices was complete, down to secretaries furnished by the Civil Service Commission who waited with poised pencils. Only the air conditioning required more time. The cooperating government departments got all the applause.

The Stettinius technique relies heavily on the telephone. There are six trunk

## Lower annual costs, safer mortgages—with CONCRETE HOMES



### Remarkable home development a cue to investors, builders, owners

Beauty, comfort and utility are provided at low rentals in the 230 homes of concrete at Brentwood Park, Jacksonville, Florida. The firesafe concrete used throughout costs little or no more to build than ordinary construction.

For private homes as well as mass housing the structural soundness of concrete protects the mortgage holder through the entire term of financing. And it does more. It protects the home owner from untimely repair bills, thus increasing his ability to meet payments regularly.

Annual cost of concrete is a minimum because of low upkeep and long life. No wonder concrete is the fastest-gaining type of home construction.

#### How to Get a Concrete Home

Ask a Concrete Products Manufacturer or Concrete Contractor (see phone book) for names of architects and builders experienced in concrete. Write for detailed facts on concrete of special interest to mortgage lenders and home developers.



In Brentwood Park, walls, foundations, floors; also streets, walks and playcourts are low-annual-cost concrete. Concrete floors have a variety of coverings. Interior walls are plas-

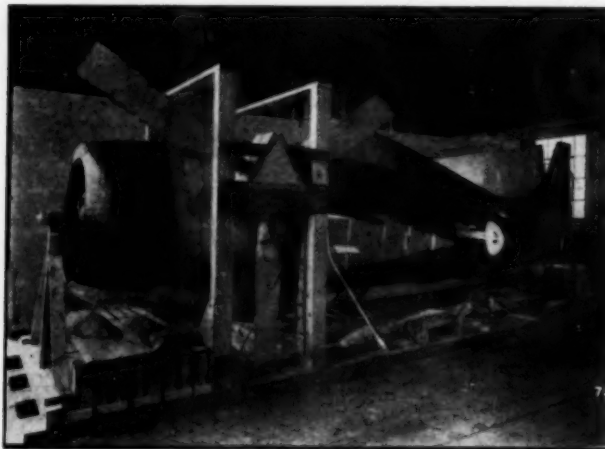
tered; ceilings (see arrow) are painted concrete for economy and good appearance. Ray O. Edwards, executive director of this development of the Jacksonville Housing Authority.

**PORTLAND CEMENT ASSOCIATION, Dept. 8d-12, 33 W. Grand Ave., Chicago, Ill.**

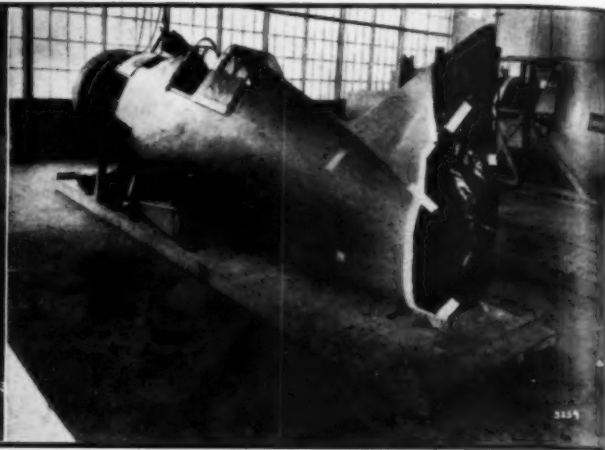
*A national organization to improve and extend the uses of concrete... through scientific research and engineering field work*



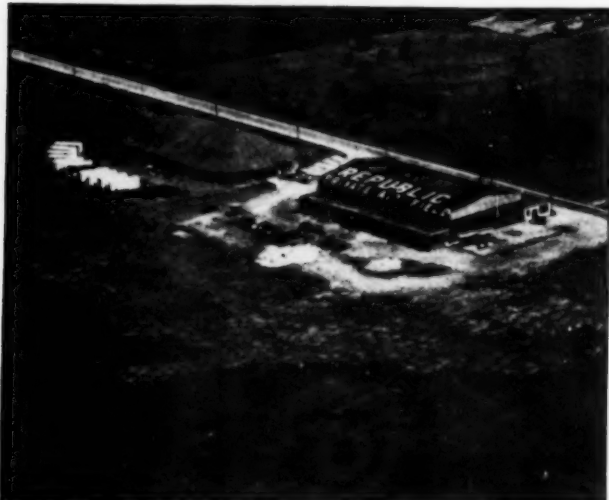
## Airplanes—Bound for Britain



A Grumman, packed to withstand rough travel on the North Atlantic. The box is heavier than the plane.



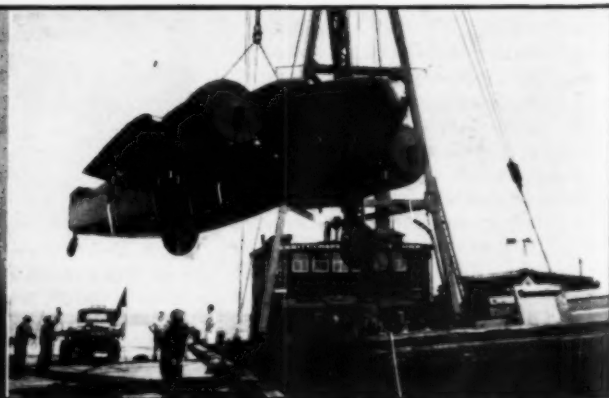
A Brewster, one of the last of a Belgian order taken over by England after Germany invaded the Lowlands.



Republic fighters, completed and boxed, pile up on the landing field outside a circus tent which already is filled with other airplanes awaiting shipment to Sweden.



A Grumman fighter is loaded on a truck at the Dade Brothers factory, for delivery to a New York City pier—and eventually England. This was the first of a French order for 80 planes which England took over.



A Lockheed "Lodestar" is loaded onto a lighter, for delivery to a freighter. This is one of the multi-motored type of aircraft that England is arranging to fly across the Atlantic. Ships of this size are seldom boxed.

### How the Fighters Are Crated

THE CURRENT BUSTLE OF ACTIVITY at New York City's aircraft shipping points emphasizes the growth of a new industry—boxing warplanes for export. This is now the task of specialists. The Dade Brothers, Inc., Bluefricsveem American, Inc., and Brenack, Inc., together handle practically all export boxing except that done by manufacturers themselves—as in the case of Martin, Boeing, Douglas, North American, and Bell.

To withstand an ocean voyage, planes are disassembled and mounted in a specially designed wooden case weighing about three tons. Special fittings fasten the aircraft to the floor of the case at the tail and either the wing roots or landing gear. The sides of the box are V-braced to prevent warping or bending. The ends are X-braced to keep the case always square. Double sheathing and a layer of waterproof paper on the top prevent damage from other boxes and from the weather.

Cost of preparing a warplane for export, including disassembly, treatment for corrosion, boxing, and trucking to the pier, is variable, but it runs between \$500 and \$1,500 per plane—depending on the size and the amount of service.

Photos by Howard J. Emerson

lines into his office and two or three girls are kept busy clearing the calls to the two receivers on his desk. Over a hundred calls per day is an average.

Like Knudsen, Stettinius lunches with other commissioners in the private dining room of the Federal Reserve Building. Dinner is usually another business meeting. He takes home a brief case full of work from the office and always has a folder of magazines, clippings, reports, and other reading matter in his room. These fill the intervals between conferences and more phone calls which continue well into the night.

### Exercise, but No Golf

Stettinius didn't acquire that fit look from conditioned air. He gets less swimming than he likes at Washington, but he takes a gym workout two or three times a week. (He does not play golf).

As soon as Stettinius finishes work on Saturday afternoon, he drives his own car down to his place in Virginia. It has a 150-year-old house with picture-book columns to the front porch but he doesn't like it to be called an estate. "It's my farm," says Stettinius. Here he tries to forget about Stuka bombers and strategic metals. He takes long walks and rides. Or he just hangs over fences beside Marvin Utz, his farm manager, and eyes with an ecstasy known only to the true farmer the bulgy beauty of registered Herefords, Belgian draft horses, turkeys, and hogs.

## Alcoa Has New Plant

**Vancouver unit will add 60,000,000 lb. annually. Trial featuring defense need is ended.**

ANOTHER INCREASE in this country's supply of aluminum, vital material in the stepped-up aircraft program, will come early next month. On Sept. 3 officials of Aluminum Co. of America will join with West Coast notables in dedicating the company's new plant at Vancouver, Wash., and within a few days the works will start producing the virgin metal.

Construction was started early this year (*BW—Dec 30 '39, p. 5*) after the signing of a contract for power from Bonneville Dam. Initial capacity will be 30,000,000 lb. of refined aluminum each year, and additions now in progress will double that figure by early in 1941.

Launching of this new enterprise in the Pacific Northwest comes just after the Aluminum Co. has been charged with inability to supply enough metal to meet the needs of national defense. Walter L. Rice, assistant U. S. Attorney General in charge of the anti-trust suit against the company, leveled the charge as the 26-month-old action came to a close in New York last week.

Mr. Rice cited President Roosevelt's announced goal of 50,000 airplanes a



"YES, I KNOW YOU'RE BUSY, MISS WIGGINS . . .

BUT REALLY I'VE BEEN WAITING QUITE A WHILE!"

**B**USY? Miss Wiggins is overwhelmed! Her office still uses old-fashioned two-person dictation. In addition to typing and filing, handling phone calls and seeing visitors, she has to take dictation. It's no wonder she can't always leap like a stricken deer whenever Mr. Phipps rings for her.

Business today just can't afford the buzz-and-wait system. Hence within arm's reach of many a top-flight executive you'll find the ever-handy Dictaphone.

This modern dictating machine serves you *instantly*—at *any* hour. No need to call your secretary when you wish to dictate. And she is free to perform other secretarial work for you. You *both* get *more* work done—*more* easily.

Prove this for yourself. Try a new Dictaphone Cameo in your office. See how soon your pile of work melts away—how much more your secretary is able to help you.

Don't wait any longer. Clip the coupon and mail it *right away*!



### "What's an Office, Anyway?"

Dictaphone's new talking motion picture shows the cause and cure of office bottle necks. You're cordially invited to see it at your own convenience. You'll find it a absorbing study in personnel relations. Mail the coupon below—today.

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HW-8

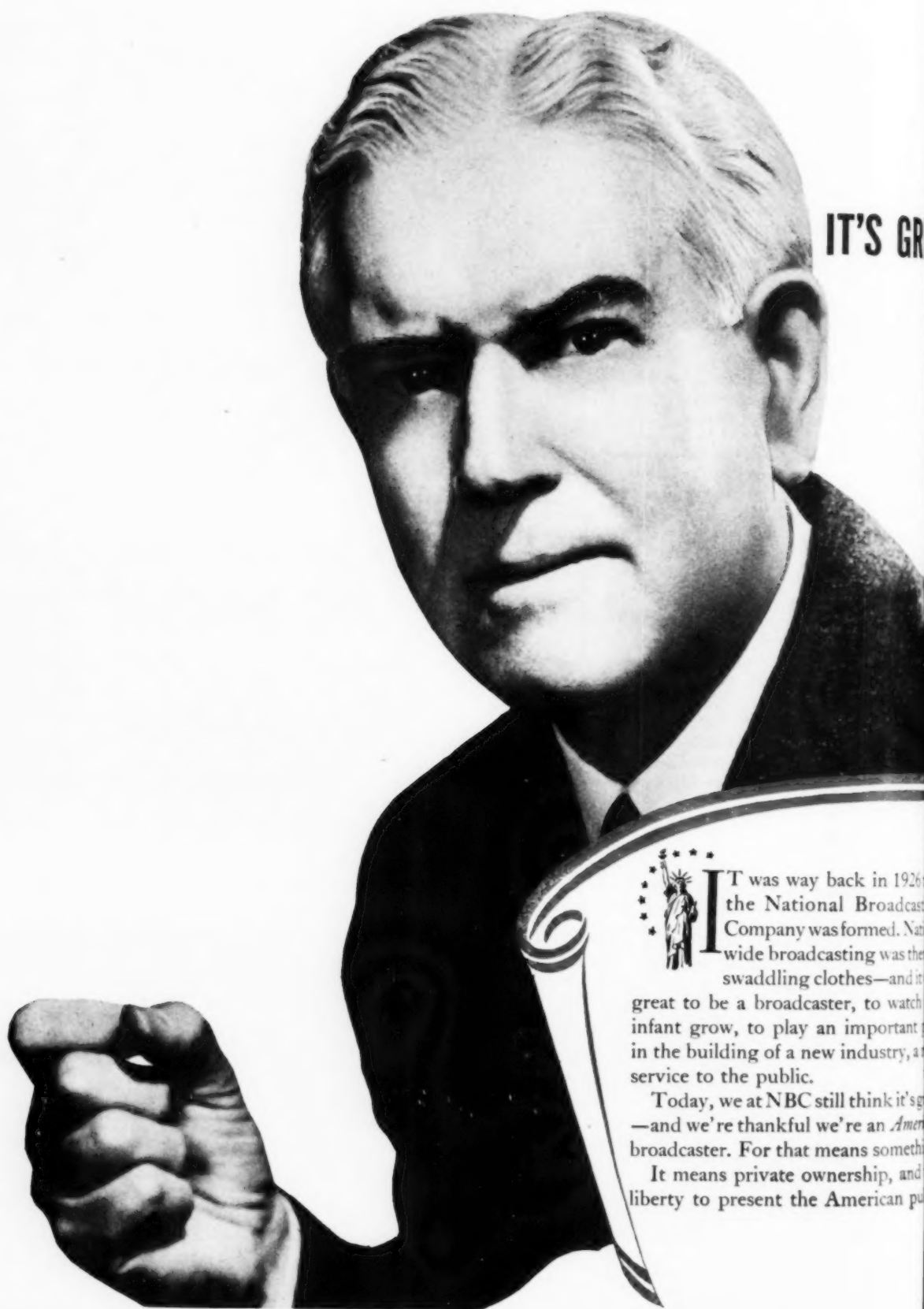
☐ I should like to see the new Dictaphone movie, "What's an Office, Anyway?" Please have your local representative arrange a showing for me.

☐ Please send me your Progress Portfolio describing the new Dictaphone Cameo Dictating and Transcribing Machines.

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IT'S GREAT



IT was way back in 1926 that the National Broadcasting Company was formed. National wide broadcasting was then in its swaddling clothes—and it was

great to be a broadcaster, to watch an infant grow, to play an important part in the building of a new industry, a service to the public.

Today, we at NBC still think it's great—and we're thankful we're an American broadcaster. For that means something.

It means private ownership, and liberty to present the American public



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programs that will broaden their minds.

It means that we can offer this great force to our country in the aid of national defense. In short, it means freedom of speech and action on our part—freedom of listening for those we serve . . . No wonder American broadcasting is without equal anywhere else in the world! And no wonder we're proud of the contributions and accomplishments of NBC in making it the finest.

**NATIONAL BROADCASTING COMPANY**

WORLD'S GREATEST BROADCASTING SYSTEM

*A Radio Corporation of America Service*

year, and added that 16,000 lb. of aluminum are required for a Martin bomber. Multiplying, he came out with an annual requirement of aluminum totaling 800,000,000 lb. Present annual production, he said, is less than half that without considering peace-time requirements.

Evidence calculated to refute this allegation (supplied by Aluminum Co. Vice-President I. W. Wilson, in charge of production), stated that present capacity exceeds 375,000,000 lb. a year (the metal trade feels that 400,000,000 would be even closer). Mr. Wilson also pointed to present expansion of 60,000,000 lb. at Vancouver and additions now being made in Tennessee.

### Capacity to Rise 50%

It boils down to this: Aluminum Co. now can turn out 400,000,000 lb. a year. Add on 60,000,000 lb. for Vancouver, and another 50,000,000 lb. for plants now being constructed in Tennessee. Then allow for 60,000,000 lb. additional in 1942 for which power contracts already have been signed with Tennessee Valley Authority. That comes to 570,000,000 lb. a year, and the practical limit probably will be closer to 600,000,000 lb.—a 50% addition to present capacity.

Consider also that, although it may require 16,000 lb. to build a Martin bomber, the average use of aluminum in planes today is about 6,000 lb. Moreover, the present prospect for 1940 airplane production is about 12,000 and not 50,000 units. In other words, the airplane industry now is using only 72,000,000 lb. of aluminum. Mr. Wilson told the court the company is convinced it can meet all peace-time needs, take care of defense, and still have aluminum available for export to England. (Britain, cut off from its usual supplies of French bauxite, no longer can produce the metal in its own refineries.)

### Fills 40,000 Pages

The clash on this matter of available aluminum was a high spot in the longest trial ever conducted in this country. Evidence was presented almost continuously for 26 months, and this record fills 40,000 pages.

During the course of the proceedings the government has charged the company with monopolizing domestic production 100%, with exercising a substantial influence in the cartel which has operated outside the United States, and with effectively preventing potential competitors from securing the necessary bauxite.

Aluminum Co. undertook to prove that it has no direct voice in the foreign cartel and, in the closing days of the trial, presented the fact that the Reconstruction Finance Corp. has approved a loan of \$15,800,000 to set the Reynolds Metals Co. up in production (*BW—Aug 10'40, p.22*) as evidence that others can in fact enter the field. Final arguments will be heard in December.

## TRANSPORTATION

### D.&R.G. Still an Embattled Road

**But briefs of 50 lawyers replace rifles and boulders of earlier rail history as ICC reorganization plan is argued before judge who will decide its fate.**

FIFTY ATTORNEYS for a fortnight argued the future of one of America's historic railroads before Federal Judge J. Foster Symes in Denver, most of them urging Judge Symes to overrule the Interstate Commerce Commission's plan for reorganization of the Denver & Rio Grande Western Railroad—the Royal Gorge Line whose narrow gauge tracks once carried down from the Rockies much of the Ore from Colorado's booming mining camps.

Lawyers for the big bondholders said the ICC was giving the Reconstruction Finance Corp. all the best of it. These would have Judge Symes promulgate a different plan for reorganization. And still other legal lights deplored the freezing out of the common stockholders which would deprive the Missouri Pacific and Western Pacific of their joint control of the D. & R. G. W. They asserted that the road should be turned back to its original owners because today it isn't bankrupt even though it may have been when it filed under Section 77 in 1935.

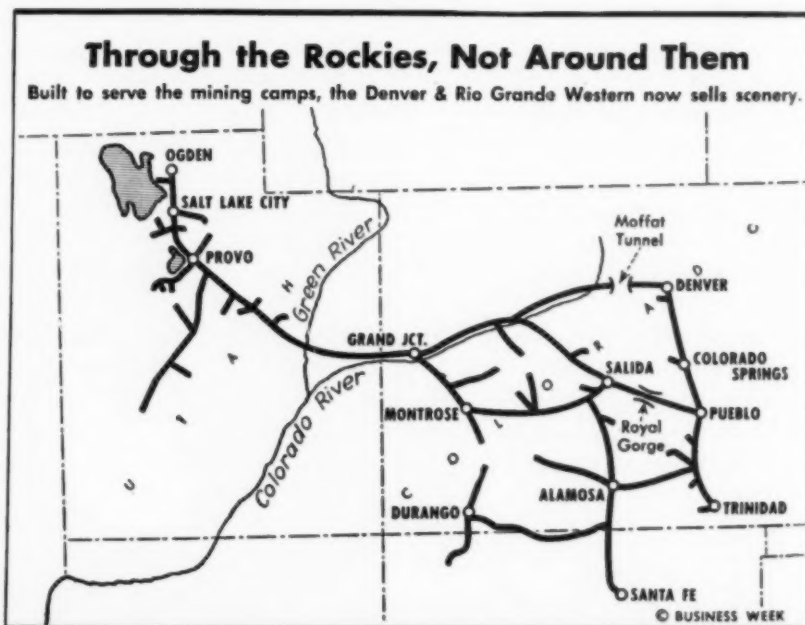
After listening to the conflicting opinions, Judge Symes called the lawyers into conference. For several hours they were closeted, and the upshot was that

the jurist sent them home to see if they couldn't come to some sort of an agreement. On Oct. 21 he will reopen the case for further argument, and he promises to advance a complete reorganization plan of his own if the various parties haven't worked out a compromise.

### Its Founder's Vision

The D. & R. G.'s history is as varied and vivid as the Rocky Mountain gorges threaded by its trains. Dapper General William J. Palmer, its founder, dreamed of a line from Mexico City to Salt Lake, even while its first tracks were crawling from Denver to Colorado City in 1870. It was built without subsidy—rare event in western railroad history. General Palmer built it narrow gauge—8 feet—because such a road could turn sharper curves and climb grades impossible for standard gauge. He believed the Royal Gorge of the Arkansas River to be the only practicable railroad pass through the Rockies along the thousand miles between El Paso del Norte and Laramie, Wyo.; and he envisioned his road as the indispensable interchange between northern and southern transcontinental lines.

His way south was barred by riflemen who seized and held Raton Pass for the



Santa Fe—which zips its fleet of streamliners over that pass today.

Palmer then turned west to build through the Royal Gorge. But the Santa Fe claimed that too.

Lawyers took the battle through the courts—a battle complicated by the fact that Palmer in a moody moment had leased his line to the Santa Fe—while the rival outfits fought it out in the gorge with rifles and with boulders that boomed down 1,500 feet and burst among working-gangs. The immediate prize was new, brawling Leadville, with its 30,000 population and its tonnage of silver concentrates and supplies.

### Peace at Gun Point

Peace wasn't signed until 1880, after the Santa Fe's men, headed by such famous gunmen as Bat Masterson, were driven from the Rio Grande at gun point. The Santa Fe was to go south, the Rio Grande west through the Gorge. The line extended on to the western silver camps, eventually to Ogden, Utah. Narrow-gauge was abandoned on its main lines, first in favor of triple-track, then for standard gauge. But some 700 miles of narrow-gauge remain. Its sharp curves and grades gave birth to many Paul Bunyanesque legends, such as that of the engineman who said he used to "borry a chaw" from the conductor in the caboose on one curve, hand it back on the next.

Today the narrow-gauge part of the system runs all through southwestern Colorado and northern New Mexico, and there are 29 miles of triple track in the San Luis Valley, between Antonito and Alamosa. (Permission to abandon the line from Antonito to Santa Fe has been asked of the ICC.) The road long ago invented a flexible coupling which enabled it to run narrow- and standard-gauge cars in the same train on such track.

### Through the Depression

After Palmer, the road fell into the hands of George Gould. The Missouri Pacific and Western Pacific remained its joint owners until Section 77 proceedings in 1935. In the late 'twenties it began using the new Moffat Tunnel, cutting off 175 miles between Denver and Salt Lake; in 1930 it acquired the Denver and Salt Lake, the ("Moffat") railroad which had backed and leased the tunnel. But a decrepit mining industry and the depression brought the system into federal court. Trustees Wilson McCarthy and Henry Swan, named by Symes, have virtually rebuilt the system, cut deficits, have increased traffic and built up 1940 operating revenue, almost to the high point of 1937. Traffic in June was up 19.8% from June of 1938, 9.2% over 1939.

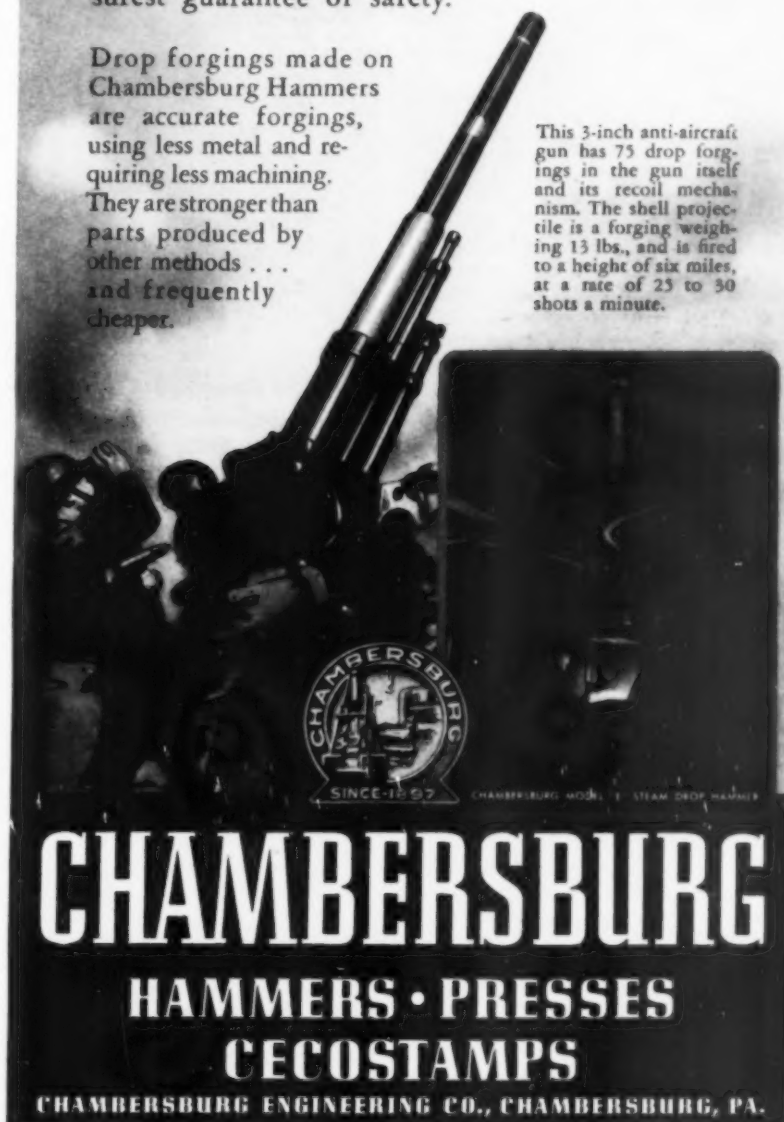
The reorganization committee figures the road can earn \$3,600,000 a year to meet its fixed charges. The ICC insists it hasn't come anywhere near that figure in any recent year (best was \$2,160,000 in

# Forgings for Defense

**SAFETY!** Whether in war or in peace, insurance of safety is paramount. For the protection of lives, whether it is the surgeon's scalpel, the window-washer's safety belt, or the anti-aircraft gun, drop forgings in the machine or mechanism are the surest guarantee of safety.

Drop forgings made on Chambersburg Hammers are accurate forgings, using less metal and requiring less machining. They are stronger than parts produced by other methods . . . and frequently cheaper.

This 3-inch anti-aircraft gun has 75 drop forgings in the gun itself and its recoil mechanism. The shell projectile is a forging weighing 13 lbs., and is fired to a height of six miles, at a rate of 25 to 30 shots a minute.



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1939) and demands drastic reorganization which would: (1) Create an independent Rocky Mountain system out of the D. & R. G., the Salt Lake, and three smaller roads. (2) Abolish the common stock's equity; cut fixed interest obligations from some \$72,000,000 to about \$37,000,000; cut the annual interest burden from about \$5,800,000 to \$1,350,000. (3) Refund an RFC loan of about \$11,700,000; borrow \$6,000,000 of new RFC money to retire various obligations and provide new working capital.

### Who Is Interested

The 50 lawyers represented many more than 50 interests, because the road was financed piecemeal and almost every separate stretch of track and every order of cars carried a separate mortgage. Roughly, they fell into these separate classes:

Those representing mortgage-holders, such as the large insurance companies, and the Chase and other large banks acting as trustees.

Those representing the old or pre-bankruptcy company, who contend in effect that the road is worth some \$215,000,000, or about \$40,000,000 more than the ICC figure, and that this higher valuation would provide equity for all, including the common stockholders. They want the road back for the Western Pacific and Missouri Pacific.

Those representing the ICC and RFC and favoring the former's reorganization plan. With them might be grouped the trustees of the Moffat Tunnel district, financed by taxpayers' money.

Hearings began on July 29, a year to the day after the ICC plan was announced. They continued through the first two weeks of August.

## Truckers Get Bail Card

**Illinois haulers find way to avoid delays that occur when their drivers tangle with law.**

NO HIGHWAY hauler would admit to an outsider that his drivers ever get pinched. But among themselves, truckers talk plenty about the grief that comes when John Law on a motorcycle leads ten tons of loaded tractor-trailer to the nearest hoosegow and lets the culprit telephone his boss to bring cash bail—customarily double the fine for the offense charged.

Last week, Central Motor Freight Association of Chicago announced a new wrinkle in its service, intended to save its members' money and conserve their sleep. Also, it is intended to speed up collection of semi-annual dues, since the service will come in six-months units and will be available only to paid-up members.

Boss truckers claim that rural coppers are toughest in the small hours. Result:

Somebody at headquarters often has to cash a sizable check in an all-night saloon and roll halfway across a state to the village where his driver ran the main-stem stoplight or got caught with excess weight on one axle. All this is a notorious nuisance.

After lengthy negotiations with the chief engineer of the Illinois state highway department and the superintendent of the Illinois state highway maintenance police, the association recently got their approval on a bail bond card, good up to \$150, which a driver who works for an association member can deposit in place of cash.

Cards for more than 10,000 drivers



*To prepare for production of the new Nash, most of the production lines in the Kenosha, Wis., and Milwaukee plants were either reconstructed or revised, and equipped with new machines at a cost of about \$7,000,000. Plant engineers (above) check the layout of the 14 miles of production and conveyor lines which will be used to produce the new auto.*

were mailed out to association members who had requested them. There is no charge to the member, but he must sign an agreement to reimburse the association for any expense to which it is put for any of his drivers. Bail bond cards good for \$100 have long been issued free to its own members by the Chicago Motor Club, and its experience indicates that most traffic courts and justice courts in the state, as well as most desk sergeants, accept the guaranty without question in passenger-car violations. Central Motor Freight expects its truck cards to meet with equivalent success.

Damage incurred by a highway hauler

through detention of his driver and equipment may be serious. Perishable cargoes are dangerous, as a Chicago trucker decided last spring when a down-state traffic squad nabbed one of his trucks for carrying too few rear lights. Lading was strawberries, which missed the market in Chicago, went soft—and cost a damage claim of \$500.

### Delay Loses Customers

Even worse is any delay to a cargo on which an industrial plant depends for its next day's operation. En route from the western end of the state, an Illinois truck was caught last month with an excess load. Consequence was that next morning an Indiana automobile plant started its assembly line two hours after the whistle blew, representing the time required for the owner of the line to rush to the scene of the arrest and bail out the outfit. Despite his hard try, the owner lost the business, worth several thousand dollars a month.

## New Cars Previewed

**Plymouth, Willys, and Nash meet press. Details of latter's low-price model due in October.**

WITH NASH ENTERING the low-price field (BW—May 18 '40, p. 30), the auto industry this week continued the press-previewing of its 1941 models. Plymouth made its bow on August 15, Nash on Aug. 16, the Willys on Aug. 22.

By Sept. 1, Plymouth will be pushing its three plants to a capacity output of 2,650 units a day. Three new lines will be announced shortly.

Because of the long-awaited new Nash, public announcement by Nash-Kelvinator Corp. will be deferred till October. Designated as the Ambassador 600, the newcomer will offer "Torpedo" styling, and will be competitive in price with Chevrolet, Ford, and Plymouth.

### Wants to Double Sales

Nash is upping its expenditures for advertising and sales promotion by several millions, based on the hope that the new six and "Torpedo" styling on all three lines will double its sales. Fifteen hundred newspapers will be used for the October announcement. At the preview it was revealed that the new six has practically the same body room as the larger models, that seats are approximately 5 ft. wide. Over-all length is 194 in. Wheelbase is 112 in.

Nash has had the Ambassador 600 under development for three years, after a survey disclosed that a new entry in the low-priced field must provide the customer with something out of the ordinary in respect to body capacity, high gasoline economy and exceptional performance under average driving conditions. These requirements have been

met by the combination of a lightweight body, utilizing design principles from aircraft and European practice, and a small but unusually responsive six-cylinder motor.

The motor is said to be greatly simplified in its construction, and is conservatively rated at less than 80 hp. Nash will not advertise gasoline economy of more than 25-30 miles to the gallon, but it is understood privately that more than 30 mi. per gal. have been achieved under conditions experienced by many motorists. While the new Nash is a full size car in every respect, it is doubted that the weight exceeds 2,500 lb.

#### Plymouth Offers New Styling

Plymouth will offer cars with revised front-end styling, a large selection of color options, a more powerful and longer-lived motor, modified rear leaf springing and shock absorber hookup for an improved ride. It will also stress easier shifting and snappier operation in traffic through transmission changes.

J. E. Baynes, new Plymouth sales manager, presided at the unveiling of the 1941 Plymouth in the auditorium of the new Chrysler Engineering laboratory. Other speakers were D. S. Eddins, Plymouth president, and A. Vanderzee, Chrysler sales vice-president.

One feature of the Plymouth production process is a new method of assembling the entire body, front-end assembly, and hood side-panels upon fixtures and then dropping this assembly (which includes all of the sheet-metal except the hood) upon a chassis moving along either of two final assembly lines.

Studebaker expects to build 150,000 cars during the coming season, a 28% rise over last year. Fifteen thousand units will be built in each of the first two months. Five millions have been spent on retooling, three millions more than last season. Studebaker prices will be slightly higher, but the increase, it is said, will be less than the average increase in the cost of living.

A strengthened dealer organization and factory selling staff are expected to reap the benefits of putting the Champion on a mass sale basis, particularly since many Champion owners will be repeat customers. New features in the President and Commander series, especially in body design, are expected to make gains in those price classes.

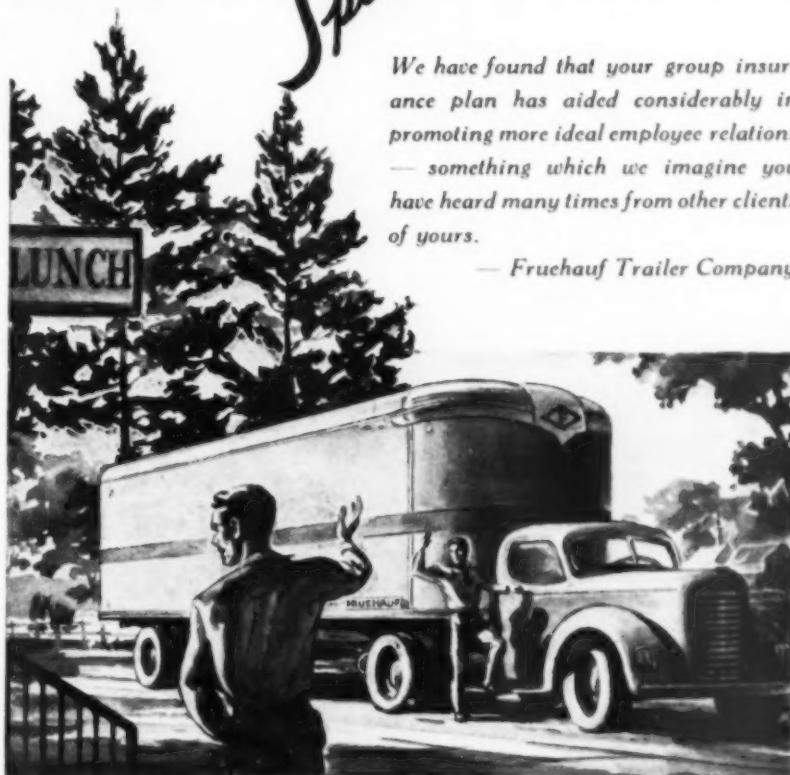
#### Rail-Air Tickets on Sale

COMBINATION RAIL-AIR TICKETS were put on sale last week by the Boston & Maine Railroad, the Maine Central Railroad, and Boston-Maine Airways. Holders of tickets may make either half of a round trip by air, the other half by rail at a price 10% below that of two one-way fares. At present, tickets are sold only between Boston, Portland, Lewiston, Augusta, Waterville, and Bangor.

## INDUSTRY *Speaks* FOR ITSELF

*We have found that your group insurance plan has aided considerably in promoting more ideal employee relations — something which we imagine you have heard many times from other clients of yours.*

— Fruehauf Trailer Company



"Forward with Fruehaufs" is the proud slogan written into the Fruehauf Trailer Company's 25th Anniversary seal . . . and it's a slogan that is significant not only because of the leadership of Fruehauf Products in their specialized field, but equally because of the progressive and enlightened policies that permeate their entire organization.

Fruehauf knows from experience, and endorses, what a Connecticut General group insurance program can do for employees, for the company, and for public goodwill. A properly coordinated group insurance program supplementing Social Security benefits has come to be a cornerstone of successful American management methods.

Connecticut General's "Protected Pay Envelope" plan represents the most complete and advanced coordination of sound group insurance and management principles. The story of this plan, what it has done for organizations, large and small, throughout the country . . . what it can do for yours, is told in our booklet "The Protected Pay Envelope." Have your secretary write for your copy today.

## Connecticut General Life Insurance Company

Hartford, Connecticut



Life, accident, sickness insurance, annuities, and all group lines

## LABOR & MANAGEMENT

INDUSTRIAL RELATIONS · PERSONNEL · EXECUTIVE POLICY

### U. S. Arsenals Hunt Skilled Men

**Examination of thousands in Philadelphia yields but a handful of qualified applicants. Officials blame apprentice restrictions; unions cite low pay.**

APPROXIMATELY 50 radio stations, coast to coast, made time for a non-commercial plug last week as part of the National Association of Broadcasters' contribution to national defense:

"Uncle Sam is calling . . . calling with a list of United States Civil Service jobs for experienced, skilled, and trained men. The following jobs are open in navy yards and government arsenals . . . machinists, toolmakers, tool dressers, loft-

men, ship fitters, die sinkers, gauge makers, instrument makers, and lens grinders. . . . Get application blanks from any first or second class postoffice. Jobs are waiting. No written examinations. No red tape. . . . Clerical workers and laborers are not needed at this time."

The announcement, breaking into some high-priced radio time, emanated from the U. S. Civil Service Commission. It

testified to the fact the government is having trouble in finding workers.

The situation at Philadelphia's Frankford Arsenal is a case in point. There, 3,000 trained workers are urgently needed if the arsenal is to operate on its set 24-hour-a-day schedule. Radio and newspaper appeals reiterated the need for skilled workers and the relaxation of ordinary requirements; applicants—said the ads—could be as old as 62 instead of 45 years and they need have only two instead of four years' apprenticeship.

#### Extra Guards on Hand

On the appointed day, when job seekers were to be interviewed, extra guards and an FBI agent were on hand to maintain order. The crowd of applicants—thousands of them—came up to expectations. But only 63 were considered sufficiently qualified for even a tentative trial. More came the next day, but there were only 28 good enough to be considered. On the third day the army realized it had caught a tartar when out of 3,000, only 7 were potentially useful. Almost all were machinists; no lens grinders, no tool or instrument makers.

Arsenal heads, blaming the union apprenticeship system for the vital shortage, began preparations to seek workers outside the state, but collided with the Commonwealth Department of Labor and Industry.

Already having voiced loud protest over Secretary of the Navy Knox's idea to speed Philadelphia shipbuilding by importing outside workmen (*BW—Aug 3, 40, p. 36*), Lewis G. Hines, State Secretary of Labor and Industry, warned job seekers from other states to keep out because of 300,000 available workers within the state. C. D. Hertzog, District Civil Service Manager, did not deny the figure, but commented on the number without skill and asserted that a portion were simply unemployable.

#### Says Industry Takes Workers

Major Ulysses J. L. Peoples, Jr., the Arsenal's commanding officer, had no idea of paying any attention to Hines. Admitting failure to obtain more than about 1/30th of the personnel necessary to start things humming, he pointed out that private industry had gobbled up most skilled men, and said, regardless of what some officials might say, "We are going outside the state for urgently needed help."

Union heads felt that even the outside hunt might be equally disappointing, and explained that the shortage was not from a lack of skilled men, but because Uncle Sam was not willing to pay as high wages as private industry. Hourly rates would have to be boosted on government jobs to at least \$1.25 to attract attention, and the arsenal is offering a little more than 92¢, with a few to get as high as \$1.35.

In the meantime, the Work Projects Administration pressed work on prepara-

### Progress STIMULATED By

**Thomas Strip**

COLD ROLLED  
STRIP STEEL

Thomas cold rolled strip steel is produced by specialists who have pioneered in many phases of cold rolling and pre-coated finishing.

Thomastrip, in many cases, provides product improvement, increased production, and reduced costs. Through special tempers that are suitable, accurate gauges that promote savings, and pre-coated finishes that reduce handling operations, you gain distinct advantages. The steel and finish are matched to your fabricating process as well as the finished part.

Let the Thomas salesman point the way to many new cold strip economies for you.



BRIGHT FINISH UNCOATED  
AND ELECTRO COATED WITH  
NICKEL, BRASS, COPPER,  
BRONZE, ZINC, AND TIN



**THE THOMAS STEEL CO.**  
SPECIALIZED PRODUCERS OF COLD ROLLED STRIP STEEL  
WARREN, OHIO



## Green Changes Stand



International

THE MERCURIAL William Green, A.F.L. president, told the Senate Labor Committee last week that his organization would rather see the Wagner Act left unchanged than distorted by the enactment of the Smith amendments (BW—Jul 13'40,p24). Mr. Green's startling reversal came before a closed session of the Committee and apparently put the quietus on any hope for changing the labor law at this session of Congress. It was recalled that Green's support was in a large measure responsible for passage of the Smith changes by the House. His position at that time split A.F.L.'s executive council right down the middle, and started off a volley of in-the-family criticism that grew large enough to effect his about face.

tion of a register of 2,500,000 unemployed. It hopes to clear up the haze of what may be expected in the way of skills from the nation's reservoir of jobless. Thoroughly checking the work records of all project employees, it will make available shortly the names of men who qualify for skilled jobs and refer them to industries in need of trained hands. The Civil Service Commission and the National Resources Planning Board are compiling an index of 500,000 scientists and professionals which will be used to locate trained individuals for specialized work if and when needed. The index will be known as the National Roster of Scientific and Specialized Personnel, and professional and technical societies still cooperate in its preparation.

That the national defense job-recruiting program might soon lose its easy-going voluntary character was indicated by reports from Washington that the Civil Service Commission was about to make weekly reports on shortages to the

# PUT THE IRON FIREMAN

## TO WORK FOR YOU



He will return a big  
profit in fuel savings

IRON FIREMAN is working for many of the biggest names in American business... and they report that he returns them substantial profits in the form of fuel savings. Further, these savings are in addition to the valuable improvements the Iron Fireman makes in automatically maintaining uniform boiler pressure and preventing smoke nuisance.

### A Free Survey Will Determine Accurately Your Possible Savings

We don't ask you to buy the Iron Fireman on faith. We are ready to make, at our own expense, a survey covering more than 100 factors in your operation—ranging from fuels to stack height. You can have your own engineer, consulting engineer, or fireman work with us on every step. With the facts before you, you will see how advantageous it will be to install Iron Fireman, the stoker that comes to you with the backing of the world's largest builder of automatic coal firing equipment for homes, buildings and industrial plants.

## IRON FIREMAN

### Automatic Coal Stokers



IRON FIREMAN MFG. CO., Portland, Ore.; Cleveland; Toronto.  
Mail to 3365 W. 106th Street, Cleveland, Ohio.

- ☐ See us about making an Iron Fireman survey, without obligation.
- ☐ Send copy of "Modernize, Economize, Iron Firemanize."

Name \_\_\_\_\_

Address \_\_\_\_\_

### The Iron Fireman Pays 27% Return on Investment



Iron Fireman Poweram in Chardon Rubber Co., Chardon, Ohio.

Chardon's fuel savings alone have amounted to 27% return on the investment. But fuel savings are only the beginning of Chardon's gains with Iron Fireman. Previously, with hand-firing, the variations in steam pressure seriously crippled the curing process. With Iron Fireman firing, "this variation has been eliminated, and the merchandise we put out now is far superior," reports President V. M. Brediger.



V. M. Brediger, Pres., Chardon Rubber Co.



National Advisory Defense Commission. The Commission's system, effective in the past, but now proving inadequate, provides for three steps after a routine announcement of job offerings by a local arsenal or Navy yard has failed to corral the requisite workers: (1) Managers of the Civil Service Commission's 13 district offices contact state employment service officials who comb their files, (2) The Washington office is informed of the shortage and it canvasses unions, professional societies, and similar organizations, and posts "men wanted" announcements in all local postoffices, (3) Newspaper and radio appeals are made. But with these devices failing to click, there were hints that some scheme of government priority for workers, paralleling government contracts priority, might have to be worked out.

## Apex Again

**Insurance company interested party as hosiery company's sitdown case returns to court.**

THAT HARDY PERENNIAL, Apex Hosiery Co., vs. the American Federation of Hosiery Workers (C.I.O.), was back on the court dockets this week as the company brought suit for \$1,171,957 in damages in Pennsylvania's Court of Common Pleas.

Last May, the United States Supreme Court threw Apex's suit for punitive damages out of court (*BW—Jun 1 '40, p16*) because it had been brought under the anti-trust laws. The company was seeking to reclaim losses allegedly suffered when the union called a sitdown strike

in its Philadelphia mill. That was in May, 1937, and there has been some court action on it somewhere ever since. The newest move is an attempt to try the company's luck, upon advice of the Supreme Court, in a state jurisdiction. In making it, Apex has raised its claim from \$711,932.55 to the present figure, billing the surcharge to "wilful, malicious, and wanton" action on the part of the union.

Behind this marathon is a story, which has not previously come into the Apex news—that the company, profiting by happy relations with the C.I.O., would be content to let sleeping dogs lie, that the moving spirit in the case is the Associated Factory Mutual Fire Insurance Company of Rhode Island, operating behind Apex, as party of the record, and meeting attorney's fees and court costs to recover the claims it paid its client for damages in the 1937 sitdown.

In the early days of the case, when the insurance company revealed its determination to press the fight, the union offered to settle for \$100,000, which was rejected. On the eve of the Supreme Court hearings in 1940, the union repeated its proposition, but after the successes in the lower courts, Associated elected to play for the jackpot. When the Supreme Court reversal came the union decided that it had saved \$100,000.

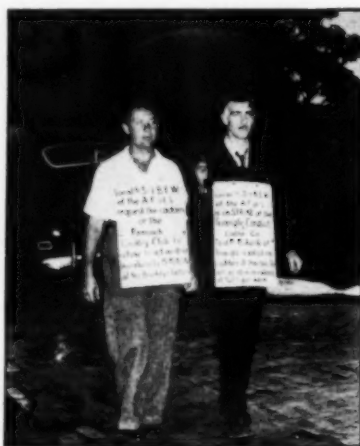
### Union Offers \$75,000

Then the suit was brought in Pennsylvania. The union, at first intimation of the new proceedings, re-calculated the odds and offered to settle for \$75,000. Associated, looking at the prospect of another three years of litigation leading back toward the Supreme Court, countered with a higher figure, said to be \$150,000. The union stuck at \$75,000. So far, the case is still set to go to trial next winter.

## Pickets Try Some New Lines

UNION PICKETING activities took off on two new tangents last week. In New York City intra-union politics turned out a picket line that made responsible union officials swear under their breath as they thought of how public opinion was going to be alienated. The case was the famous Sheffield Farms Dairy arbitration award (*BW—Jul 27 '40, p35*), in which an arbitrator had, by setting a precedent, held the milk wagon drivers' local of the A.F.L. teamsters' union responsible for a one-day outlaw strike that cost the company an estimated \$18,000. The arbitrator, Arthur S. Meyer, awarded the company \$10,000 in damages, but suggested—in the interest of friendly relations—that the company accept only \$5,000 if the union paid by Aug. 15. This the company was glad to do; but Aug. 15 came and went without a check. Instead, picketers appeared in front of Meyer's office (below).

Officers of the teamsters' union consider the display disgraceful, but explain it by the internal politics of



Wide World

the milk wagon drivers' local. The local's administration is up for reelection in the fall, and a strong opposition slate is anxious to make capital of any signs of compromising that the current officers show. The local's leaders are unhappy about the whole thing, but are afraid they'll be unseated if they don't show the proper militancy. The company, which planned to put the money in its employees' pension fund, now has \$10,000 coming—and may go to court to collect it.

In Flushing, N. Y., employees of the Triangle Conduit and Cable Co., who have been picketing their boss' home for several weeks—in the strike called by A.F.L. electrical workers against five wire and cable manufacturers—extended their activities to the boss' country club. The picket line at the club (above) claimed that John McAuliffe, president of Triangle, and a member of the greens committee of the Pomonok Country Club, Flushing, N. Y., had induced caddies to work as strikebreakers in his plant.



Courtesy The Newspaper PM, N. Y.

## A Dictionary of Jobs

**U. S. Employment Service defines 29,744 different types of work in classifying applicants.**

THE UNITED STATES Employment Service has prepared a "Dictionary of Occupational Titles," which lists and defines 29,744 jobs. The work was done in cooperation with 6,500 individual employers and business establishments, and all classifications have been checked by labor unions, trade associations, professional societies, and personnel experts.

The handbook of job analysis is published in three parts—Part I, Definition of Titles; Part II, Arrangement of Occupational Titles and Codes; and Part III, Conversion Tables. Each definition is composed of four parts: (1) main job title, followed by alternate or synonymous titles, (2) designation of industry

or type of work with which the job is associated, (3) occupational code number used to symbolize the job in the classification structure, or else a reference showing where the code number may be found, and (4) definition of the duties performed.

The dictionary was prepared for use by the Employment Service in classifying and assigning applicants, but it is expected that it will be used by personnel men and statisticians, and by directors of vocational guidance and training.

## Wives Who Work

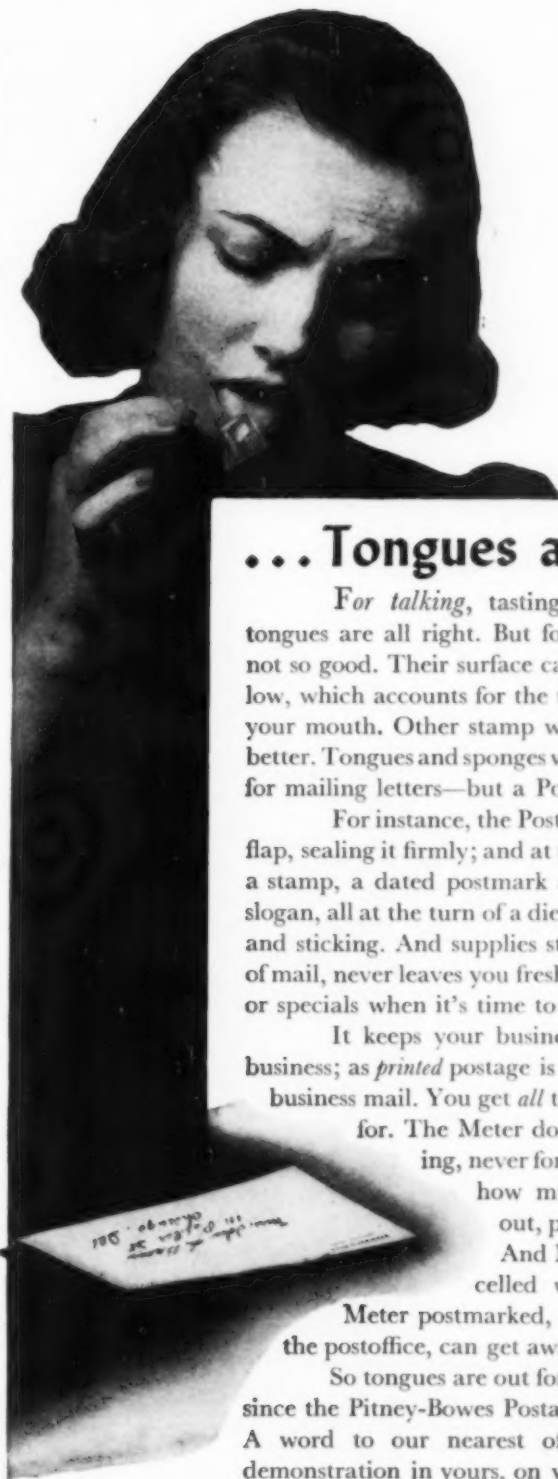
THE WORKING-WIFE question has assumed a new meaning which plagues the National Labor Relations Board. International Typographical Union demanded that certain women employed by the Vail-Ballou Press, Binghamton, N. Y., be barred from voting in an NLRB poll to decide on union representation. Reason: The women are wives of company executives. The regional officer of the Board decided to let the wives vote, but impounded their ballots in a separate, sealed box for transmission to Washington. The Board itself will have to set a precedent by deciding whether to open the box and count the votes. Off the record, the Board hopes the election will be so decisive, one way or the other, that the result will not be affected by the challenged ballots. NLRB people feel that their dignity may suffer if the women's votes hold the balance of power and the Vail-Ballou case becomes a *cause célèbre* in the courts.

## F. D. R. Okays WPA Union

ENCOURAGED BY A LETTER of support from President Roosevelt, 200 delegates representing WPA worker groups from all over the country met in Chicago this week to launch a new WPA union. The meeting is led by elements which have broken away from the Workers Alliance because of its alleged Communist domination. David Lasser, former head of the Alliance—which presumed to be the spokesman for the unemployed, resigned his office last month to become the leader of the new movement. It was to Lasser, as chairman of the American Security Conference, that the President wrote:

"Your announced purpose—to form a 100% American movement of unemployed, WPA workers and other underprivileged—is legitimate and laudable . . . I have consistently maintained that those unemployed through no fault of their own, or employed on work projects, have the same right to self-organization possessed by other groups in the population."

Formation of the new group is expected to provoke disturbances, since the militant Workers Alliance will surely fight to maintain its monopoly position as spokesman for the project workers.



## ... Tongues are OUT!

For talking, tasting, or sticking out, tongues are all right. But for stamp sticking—not so good. Their surface capacity for liquid is low, which accounts for the terrible taste left in your mouth. Other stamp wetters aren't much better. Tongues and sponges were never intended for mailing letters—but a Postage Meter is!

For instance, the Postage Meter *sticks* the flap, sealing it firmly; and at the same time *prints* a stamp, a dated postmark and an advertising slogan, all at the turn of a die, faster than licking and sticking. And supplies stamps for any kind of mail, never leaves you fresh out of twos, threes or specials when it's time to go home.

It keeps your business postage strictly business; as *printed* postage is good only on your business mail. You get *all* the postage you pay for. The Meter does its own accounting, never forgets who borrowed how much. Borrowing is out, pilfering impossible.

And Metered Mail, cancelled when printed and Meter postmarked, spends less time in the postoffice, can get away faster.

So tongues are out for mailing purposes, since the Pitney-Bowes Postage Meter came in! A word to our nearest office will bring a demonstration in yours, on your own mail . . .

Branches in principal cities. Consult your telephone directory  
IN CANADA: The Canadian Postage Meters & Machines Co., Ltd.

## The Postage Meter Co.

1417 Pacific St., Stamford, Conn.

PITNEY-BOWES





Is YOUR BUSINESS  
in one of these fields?

# VINSOL\*

Sensational, New,  
Low-Cost Resin

Is making:

Better Products  
New Products  
New Economies

## FOR MANUFACTURERS OF:

Shellac substitutes	Hard pressed board
Asphalt emulsions	Fiber board
Cement plasticisers	Impregnated paper products
and grinding aids	Laminating varnish
Extenders for phenolic resins	Cold molded plastics
Paints	Motor windings
Varnishes	Transformers
Stains	High voltage insulation
Nitrocelluloselacquer	

VINSOL provides this amazing  
array of valuable properties

## AT LOW COST

**Insoluble in petroleum derivatives**—Chemists know how unusual and important this is in protective coatings, plastics, and other products.

**Excellent electrical characteristics**—At 85°C., breakdown is above 20,000 volts; power factor ranges from 0.5% at 25°C. to 15.2% at 103°C., dielectric constant from 2.81% to 6.5%.

**Available in pulverized form**—60% passes 200 mesh screen; 100% passes 30 mesh. Does not set or cake under normal temperature and humidity.

**Easily esterified**—With glycerin, ethylene glycol, diethylene glycol, etc., Vinsol yields resins of value in lacquers and varnishes.

**Easily saponified**—Produces emulsions of extreme stability—valuable in asphalt emulsions.

**Other important properties**—Dark-colored; dark red by transmitted light; chemically and physically stable; melts at about 115°C.; acid number, 93.

**FREE SAMPLE OFFER:** tell us how much Vinsol you need for trial.



Naval Stores Department  
**HERCULES POWDER COMPANY**  
INCORPORATED  
928A Market St., Wilmington, Del.  
We need.....pounds of Vinsol  
for testing.

Send me a descriptive booklet ☐

Name.....

Firm.....

Address.....

\*Reg. U. S. Pat. Off. by Hercules Powder Company

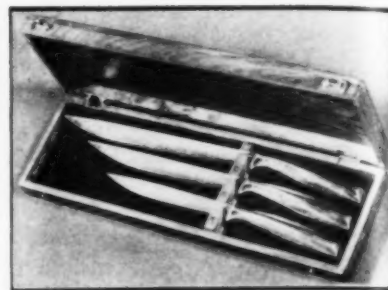
## NEW PRODUCTS

### Synthetic Sealer

UTILIZING the ability of synthetic rubber to stand up against light, heat, oil, and other enemies of natural rubber, American Bar Lock Co., Inc., 36-32 38th St., Long Island City, N. Y., is bringing out the new Ablo Synthetic Rubber Compound for "puttying" windows, sealing cracks around window frames, what-have-you. It may also be had in heavy paint consistency for waterproofing and rustproofing almost anything paintable.

### Carving Blades

HAVING BEEN FRUSTRATED in the carving of roasts and steaks and fowl by the general run of knives, Joseph R. Gerber, 1301 S. W. 12th Ave., Portland, Ore., found a blacksmith who could forge the kind of blades he liked and designed



alloy handles which fit in a man's hand. Next step is to market them as Gerber Hand Made Carving Blades.

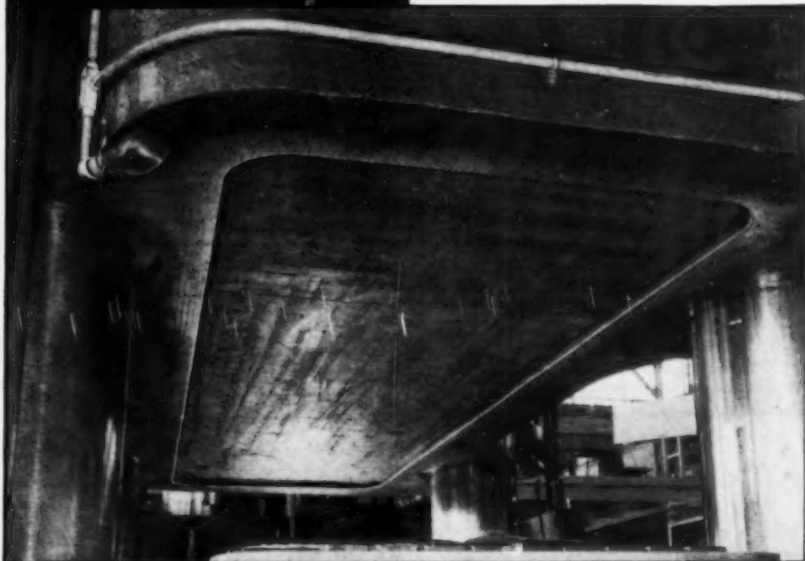
### Odor Killer

SUBMERGED in the flush tanks of toilets, little blocks of chemical called K. O. (kill odor) Blox release nascent oxygen

## Metal Aircraft Parts Blanked, Formed in Giant Rubber Dies



GIANT 3,100-lb. slabs of rubber, 160 x 57 x 11 in., mounted in the top platens (below) of giant quick-acting 5,000-ton hydraulic presses (furnished by Hydraulic Press Mfg. Co.) take the place of metal female dies, save time and money, and prevent scratches in the blanking of aluminum-alloy aircraft parts in the Santa Monica, Calif., plant of Douglas Aircraft Co. To resist the cutting action of the male dies, which are made of alloy steel as usual, a special rubber compound was developed and processed by Goodyear Tire & Rubber Co. Rubber female dies are not new by any means but have never before been manufactured as large as those developed by Douglas, which has three presses equipped for their use.



into the water, kill odors without adding odor, prevent stains and fungus growths in the bowl. According to the maker, Pioneer Mfg. Co., 305 E. 87th St., Cleveland, a block lasts three or four weeks.

### Polarizing Lamp

MODERN SUCCESSOR to the inexpensive "gooseneck" lamp is the new Polaroid Study Lamp, to be marketed Sept. 1 by Polaroid Corp., Cambridge, Mass. A 100-watt globe in the Bakelite pedestal sends its light up to an inbuilt reflector and down on the desk through a sheet of Polaroid in the shade. In its passage the light is polarized and glare removed.

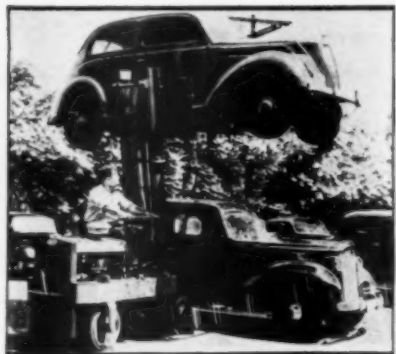


### Improved Brine Tester

FOR DETERMINING the specific gravity and "pH" (hydrogen ion concentration) of brine used in ice making, air conditioning, etc., York Ice Machinery Corp., York, Pa., announces a new and quicker York Brine Testing Set in a handier case. It will also test pH in recirculated condensing water, telling when to treat or replace it before valuable condenser tubes become corroded.

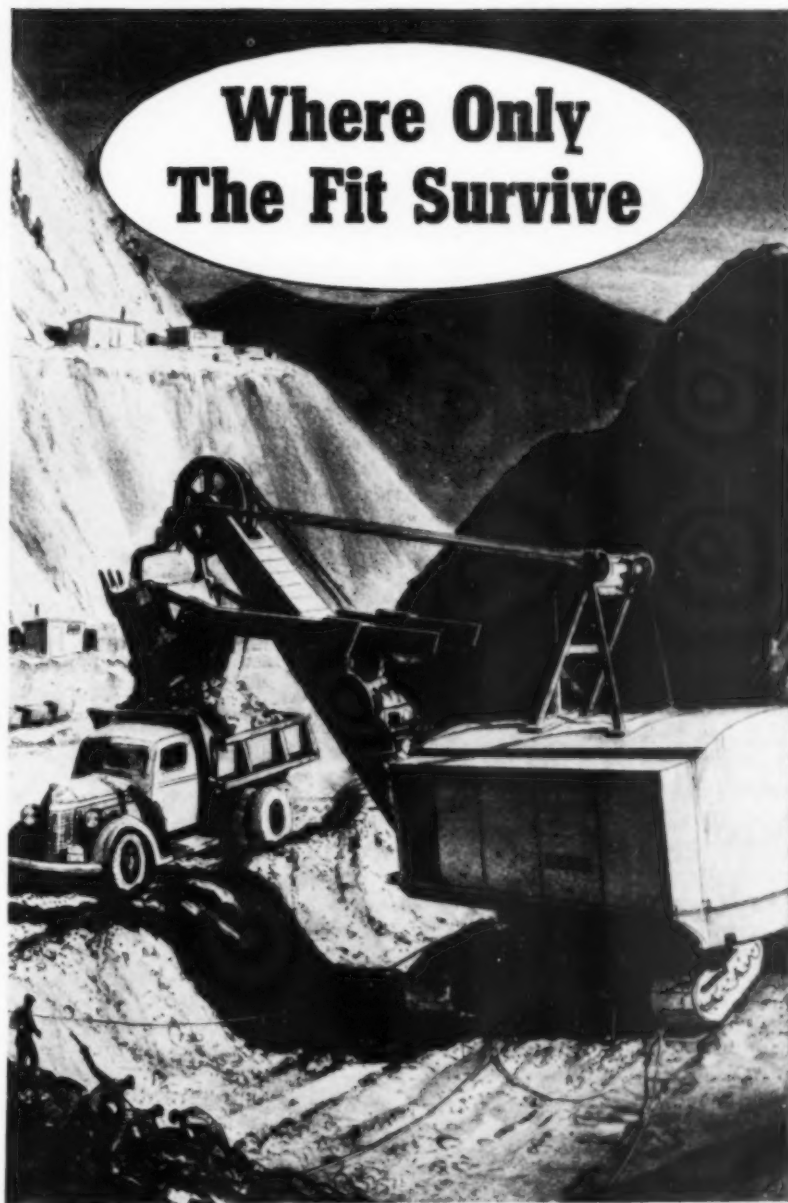
### "Flowing Power" Truck

IN JUNE, The Howell Industrial Truck Co., 6545 Carnegie Ave., Cleveland, brought out its new "Humdinger" transmissionless fluid drive fork truck," rated



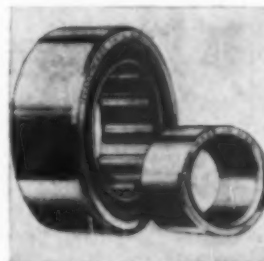
at 3,000 lb. (BW—Jun 1 '40, p.36). Now it is bringing out a big brother, the "Flowing Power" Truck, rated at 6,000 lb. The new model has individual "fluid drive" for both power wheels, eliminating both transmission and differential gears. Heights of 11½ in. are reached with a quick-acting hydraulic lift.

## Where Only The Fit Survive



Lithographed on stone by James E. Allen

**HYATTS ARE USED** when the going is tough . . . wherever friction, wear, and replacements must be avoided. With Hyatt Roller Bearings come *staying power* that prolongs machine life . . . *precision* that promotes better performance . . . *design* that guarantees greater mechanical efficiency. Therefore, equipment used in road building; in mine, mill and factory; on farm, railway and highway is today more dependable and longer lived because Hyatts help keep it fit for action. Hyatt Bearings Division, General Motors Sales Corporation, Harrison, New Jersey; Chicago, Pittsburgh, Detroit and San Francisco.



**HYATT**  
ROLLER BEARINGS  
QUIET



The right facilities in the right location for all types of industry—that's the San Francisco Peninsula,\* western "hub" for nationally known concerns. ☆ Read of these exceptional plus values in our modern booklet, "Opportunities to Share". Dramatic, factual—a story of profits in the making. Write for free copy today!

\*In metropolitan area, outside city limits.

**SAN FRANCISCO PENINSULA, INC.**  
P. O. BOX 48, SAN FRANCISCO

Architects: Wilbur  
Waltson & Associates,  
Cleveland.  
Roofing Contractors:  
Hunkin-Conkey  
Construction Co.,  
Cleveland;  
Geo. A. Rutherford  
Company, Cleveland.



## Carey BONDED BUILT-UP ROOF . . . SELECTED FOR NEW INDUSTRIAL RAYON CORPORATION PLANT

This ultra-modern, windowless, air-conditioned plant of Industrial Rayon Corporation, Painesville, Ohio, has been engineered for highest efficiency. To protect the building and its costly equipment, a CAREY Roof was specified, indicating the architects' confidence in CAREY'S ability to supply the best roof protection money can buy. For a building extension, increasing plant capacity 50%, a

CAREY Roof has also been specified.

Sixty-seven years experience in the manufacture of dependable building products are back of every CAREY Roof. This experience, plus the practical skill of CAREY applicators, are basic reasons why CAREY Roofs last longer, cost less per year. Write Dept. 29 for book—"Master Specifications".

**THE PHILIP CAREY COMPANY • Lockland, Cincinnati, Ohio**  
Dependable Products Since 1873  
**BRANCHES IN PRINCIPAL CITIES**

## MARKETING

ADVERTISING • MERCHANDISING • SELLING

### Advertising Enlisted—for Duration

**Ayer gets \$250,000 Army account, radio plugs away at recruiting job, and national defense flowers as a copy theme, especially for big industrial corporations.**

IF THE CONSCRIPTION BILL, now being haggled over by Congress, is permanently stalled or its effective date postponed, advertising will have a job to do this fall in whooping up enlistments. That plans are already being made was indicated last week when N. W. Ayer & Son was awarded a \$250,000 Army account.

The award was made after competitive presentations by Ayer, Lord & Thomas, J. Walter Thompson, William H. Rankin, Federal Advertising Agency, and Batten, Barton, Durstine & Osborn. The account calls for a series of ads in daily newspapers and farm papers during October, November, and December.

Meantime, the most effective promotional job for volunteer enlistment is being done with contributed radio time.

The Army recruiting service has a series of short Join-the-Army-Now plugs, transcriptions of which are sent to practically all U. S. radio stations. Broadcasters are playing the records anywhere from once a month to several times a day, depending on free time.

Since the middle of June, Columbia Broadcasting System has had a half-hour Army program every Saturday afternoon, aired over the entire network. Time is donated by CBS, and the program is prepared cooperatively with the Army Recruiting Service in New York and the Army Information Service at West Point.

So far all these programs have originated from West Point, but they may be brought to New York soon. On these programs everyone—from general to cook—is interviewed on how he likes the Army life. Interviewer is Ray Perkins, regular CBS entertainer and a major in the Army Intelligence Service reserve. This week, Perkins will interview Mrs. Fred G. Hittinger of Highland Falls, N. Y., mother of a last year's rookie now serving in Honolulu, on how it feels to have a son in the army.

Neither NBC nor Mutual has as yet scheduled an all-network Army program, but discussions for a series of special features are under way. One NBC program—Tums' Pot O'Gold—has already given the Army a plug, and other sponsors are expected to volunteer time.

#### National Consciousness Awakened

Enlistment promotion isn't the only advertising manifestation of America's awakening national consciousness. In consumer advertising, many manufacturers—camera makers, for example—are finding it expedient to let the public know that their products are now entirely American-made. But it is in industrial advertising that national defense has really flowered as a copy theme.

A check through leading trade papers shows that about 50 of the biggest industrial corporations are now building their ads around preparedness. Much of this is straight institutional—to get across that the advertiser is working for the "American Way." More advertising points to special services of improved machines to increase defense production.



## Listerine Beleaguered

**FTC launches new action to curb ad claims, also issues R-P order. Fitch seeks damages.**

EVER SINCE Messrs. Chase and Schlink wrote "100,000,000 Guinea Pigs" and planted the seeds of an organized consumer movement, one of the products whose mere mention has caused "Guinea Pig" devotees to steam has been Lambert Pharmacal Co.'s Listerine Antiseptic.

Lambert spends more than a million a year in promoting Listerine, and, incidentally, in enriching the American vernacular with such expressions as "Even your best friends won't tell you" . . . "Often a bridesmaid but never a bride". Consumers have criticized the advertising but the fundamental argument has been whether Listerine is the remedy for "halitosis,"—a word that Listerine put in common usage—dandruff, and sore throat that it has been cracked up to be.

Last week came evidence that the question is to be debated to a showdown—when the Federal Trade Commission formally charged Lambert with the dissemination of misleading representations. The complaint declares in detail:

—that dandruff is not caused, as Listerine advertising has claimed, by a germ; that Listerine is not a cure or remedy for dandruff; and that its therapeutic properties are limited to a temporary removal of scales and the mitigation of the symptoms of itching;

—that halitosis is not usually caused, as claimed by Listerine advertising, by fermentation of food particles in the mouth; and that Listerine in no way affects the usual sources of halitosis;

—that Listerine will not, as claimed by advertising, prevent colds or sore throats; that it will not keep colds from progressing; that it will not kill all mouth and throat germs; and that it will not reach deeper into the throat than most gargles.

### Dandruff Claims Curbed Before

The charges seemingly blanket Listerine's advertising claims, and in that respect differ from a limited complaint which the FTC made against the product once before. That complaint was concerned only with the dandruff-curing claims, and was settled a year ago (*BW*—Aug 12 '39, p. 31) when Lambert agreed to discontinue certain representations. Chief of these was the claim that all dandruff is caused by a germ, the Pityrosporon Ovale, and that Listerine "kills the dandruff germ." The Pityrosporon Ovale is mentioned in current Listerine advertising, but is not represented to be the sole cause of dandruff. Seemingly, however, the FTC intends to further curb Listerine's dandruff claims, as well as representations made about halitosis, colds, and sore throats.

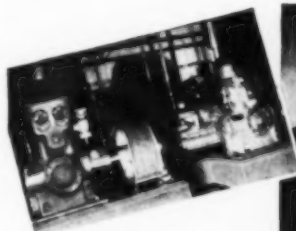
As usual, Lambert has 20 days in which to file an answer, is not likely to accept without a fight an order which

Advertisement



Arnold Genthe

**INTERNATIONAL BUSINESS MACHINES CORPORATION**  
World Headquarters Building, 590 Madison Avenue, New York, N.Y.



**Theatres  
Everywhere  
Prefer**



**Air Conditioning**



Whether in Wichita Falls, Tex., or New York City, theatre owners and theatre goers prefer air conditioning in which the emphasis is on proper COOLING. Adequate refrigeration permits condensing all excess moisture from the air—means freedom from dampness, makes moderate temperatures comfortable.

Your theatre should have the advantage of this preferred air conditioning. Exclusive Frick systems, backed by nearly sixty years' refrigerating experience, are described in Bulletin 505; write for a copy now.

**FRICK COMPANY, Waynesboro, Penna.**

## Should your company advertise?

The answer depends on many facts about your product, your market and your competition. Why not talk it over soon with competent advertising counsel?

Obviously, an agency wants only *successful* clients and will advise you against advertising if the facts point that way.

On the other hand failure to discuss the situation may cost you lost sales.

**Newell-Emmett**  
COMPANY  
*Advertising Counsel*  
40 EAST 34th ST., NEW YORK

FOR  
**SPEED**  
  
FOR  
**EFFICIENCY**  
  
FOR  
**MORE TIME**



SAY IT TO THE

**Ediphone**  
EDISON VOICEWRITER

Thos. A. Edison, Inc., West Orange, New Jersey  
We favor adequate preparedness  
for National Defense

would hobble all claims for its product. Much will probably be heard of the Pityrosporon Ovale. Early in 1937, Lambert first advertised that the germ had been isolated by the Dayton Laboratories, Dayton, N. J., and that by killing it Listerine "brought quick relief and often complete cure" from dandruff. The announcement started a feud with a competitor, the F. W. Fitch Co.—a feud which, by coincidence, came to a head last week along with the FTC complaint.

In 1936, Fred W. Fitch had advertised a reward of \$1,000 to any person who could "actually show him a 'dandruff germ' and prove that 'germ' causes dandruff." When the announcement of the Pityrosporon Ovale was made by Lambert, the Fitch Co. said it was not impressed by the research of the Dayton Laboratories, and declared that, "in the face of the decision by two of today's outstanding dermatologists," the germ had not been proved the cause of dandruff.

### Fitch Charges Plagiarism

That led to bad feeling between the two companies—evidenced last week when Fitch filed suit against Lambert in St. Louis, charging plagiarism of an advertising idea. Specifically, the charge is that a Lambert ad published in April, 1940, headed "Goodbye Dandruff Symptoms," was copied from a Fitch ad, headed "Goodbye Dandruff." Fitch is asking \$50,000 and "such gains as have accrued from the infringement." The suit is returnable Sept. 2.

Third happening of a busy week for Lambert was the receipt of another message from the FTC—a formal order to cease and desist from alleged violation of the Robinson-Patman Act, which forbids discriminations among buyers. The commission finds that Lambert has allowed some wholesalers and retailers, and not others, special discounts for performing warehousing and selling functions.

### How Much Arsenic?

**U. S. Health Service okays double permissible amount of spray residue on pears and apples.**

THE U. S. PUBLIC HEALTH SERVICE is none too happy over its position since the Federal Security Agency accepted its recommendation that apples and pears shipped in interstate commerce be permitted to have on them double the amount of lead-arsenic spray residue formerly permitted by the Food and Drug Administration.

The recommendation was made after a 3-year survey of some 1,200 men, women and children in the Wenatchee (Wash.) area—a heavy fruit producing section—had failed to show any impairment in their health, despite greater than normal inhalation of lead and arsenic

sprays, and ingestion of the residues on fruit they ate.

The Public Health survey was started upon direct authorization from Congress. The Food and Drug Administration had done about two years' work on the first strictly scientific study of the effect of spray residues on the human system, but members of the House Appropriations Committee hailing from fruit growing sections were suspicious that FDA would not turn up evidence satisfactory to their constituents. They wrote a provision in the FDA appropriation act forbidding further work, and another provision in the Public Health act authorizing that agency to go ahead.

When Public Health completed its three years of work and turned out a report showing no particular harm from lead and arsenic sprays when used on apples and pears (no other fruits or vegetables were involved, these sprays being used primarily on the two fruits)

### Cola Competition

**Hot Weather Special**  
REG. 4¢ BOTTLE

**Guth**  
**COLA**  
**DRINK**

IT'S NEW  
DELICIOUS  
AND  
HEALTHFULLY  
REFRESHING

**2 LARGE BOTTLES FOR 5¢**

• PLUS DEPOSIT •  
**GIANT 12-OZ. BOTTLE**  
A DELICIOUS, STIMULATING  
CARBONATED BEVERAGE

\$10,000.00 WILL BE PAID  
FOR PROOF THAT A FINER  
COLA DRINK CAN BE MADE

LAST MONTH Ernest C. Guth, brother of Charles G. Guth, one-time president of Pepsi-Cola, made soft drink news by running ads in Philadelphia newspapers, announcing the price of his Guth Cola as 4¢ for a 12-oz. bottle (BW—Jul 27 '40, p.32). On Aug. 9, in Philadelphia he offered two 12-oz. bottles of Guth Cola for 5¢. Other cola men say that one 12-oz. bottle for a nickel is as low as you can go and still produce a profit. Meanwhile, Canada Dry Ginger Ale, announced it would expand its franchise policy on its cola, Spur, to take in Long Island, most of New York (big battleground of Coca Cola and Pepsi-Cola), New Jersey, and Pennsylvania.

it knew trouble was ahead. World medical opinion was unanimous as to toxicity of the spray residues. It meant either that the Public Health report would be looked upon by outstanding international scientists as phoney or the report would form the base for a complete flipflop of world medical opinion.

#### McNutt Orders Recommendations

At first, Public Health made no recommendations, but merely submitted to Federal Security Administrator Paul V. McNutt its finding of facts. The report was passed to FDA which told Public Health, in effect, that "this is your baby" and declined to change the spray residue tolerances. McNutt then ordered Public Health to make recommendations, which was done—0.05 grain per pound of fruit for lead and 0.025 grain for arsenic. Actually, the report doesn't seem to show the need for any tolerances (if it is accepted at its face value), so Public Health will have to justify its recommendations.

Opportunity for establishing this justification will probably be offered when FDA sets up official tolerances on spray residue to replace those administratively set by McNutt. You can be sure that Public Health experts will be called to say why they recommended relaxing the tolerances, for growers have long contended that old FDA requirements were too stringent.

#### Classical Records—75¢

Columbia and RCA cut prices, aiming at more profit through increased sales volume.

PHONOGRAPH RECORD manufacturers and dealers have long watched customers shake their heads sadly over such classical tidbits as \$12 albums of Tchaikovsky's "1812" and say they were sorry but culture came too high. Now, after a year of price-trimming experiments, the two big names in the industry—Columbia Recording Corp.—a subsidiary of the Columbia Broadcasting System—and Radio Corporation of America (Victor)—have reached down for a new low price on both classical and popular lines.

Columbia, which has been making aggressive inroads in other manufacturers' business ever since it took over the old American Record Corp. at the end of 1938, cut its popular line from 75¢ to 50¢ last September. Result: Columbia's total sales volume for the first six months of 1940 better than doubled the figures for the same period in '39—but the sales increases were much greater for popular than for classical discs. Two weeks ago Columbia cut prices on its classical 10-inch \$1 records to 75¢, brought \$2 and \$1.50-twelve-inch discs down to \$1.

This week RCA, having experimented since April with Black Label Classics—new pressings of old recordings at 75¢—

## NORTON ABRASIVES

Industry  
Requires  
Variety in Abrasives

Factories aiming at highest efficiency select abrasives with great care from the products labeled "Norton Abrasives." Each Norton brand provides a variety of types. Fit the abrasive to the work.

WHEN IT'S A GRINDING PROBLEM, CALL IN NORTON ENGINEERING SERVICE

NORTON COMPANY  
WORCESTER, MASS.

BEHR MANNING DIVISION, TROY, N. Y. ABRASIVE PAPER AND CLOTH



Just Out!

# MAGNIFICENT DELUSION

By Fred G. Clark

*Will America set an all-time record among nations for rapid rise and decline? This new volume discusses economic, political, and other trends that point away from fundamental Americanisms, and threaten democracy—and calls to the average American to forsake his complacency and to know and do more about these things before it is too late. Simply and sincerely put—a book you will want your associates, your friends, your family, to read.*

Herbert Hoover:

"A critical portrait of democracy that should have a vital meaning to every American regardless of class, party, race, or creed."

Raymond Moley:

"A restrained, thoughtful and non-partisan defense of the free enterprise system. It contains much that Americans can well ponder."

Ray Lyman Wilbur:

"I am impressed with its simplicity, its approach to fundamental questions, and the way in which it gives clarification to many of our pressing problems."

William Feather:

"A timely book which should be read at once by every citizen who has any doubt about the dangers ahead."

N. Y. Herald Tribune:

"Should be widely read, as only by understanding the nature of the crisis that now besets us is there any hope of coming out of it with democracy still intact."

N. Y. Times:

"A defense of business in general and in particular, and a warning to the public against the perils of strangling its development."

We feel that this is the type of book that, once you have read it, you will want to pass along to others. See for yourself; use the coupon below to send for a copy today, returnable in 10 days for refund if you are not satisfied with it.

PRICE ONLY \$1—RETURN PRIVILEGE

McGraw-Hill Book Co., 330 W. 42nd St., N. Y. C.  
Send me Clark—Magnificent Delusion, postpaid, for which I enclose \$1. If not satisfied I may return book within 10 days of receipt and my money will be refunded.

Name .....

Address .....

City and State.....BW-8-24-40

matched Columbia cut for cut in its entire popular and classical line.

Rivalry between RCA and Columbia has sizzled for the past two years, but observers know there is more behind the present price cuts than two-company competition. A couple of years ago, newspapers began to cash in on the revived interest in recorded music by using low-priced classical discs to build good will and circulation (BW—Feb 24 '40, p50). Manufacturers—who had been supplying newspapers with their blank-labeled discs on the quiet—were agape at sales.

## Newspaper Promotion Made Profit

One 59¢ recording, which had never sold better than 5,000 discs a year under the manufacturer's own label and carrying the name of one of the ritziest U. S. symphony orchestras, found over 100,000 takers in the New York City market alone, within the period of a few months. Most astonishing, however, was the fact that many newspapers, selling discs at next-to-nothing above cost, actually made money on their record promotions.

The trade has long suspected that RCA was supplying records for Publishers Service Co.—the enterprising promotion company which has sold newspapers from coast to coast on using cheap classical discs as subscription premiums. Columbia is supposed to be supplying Music You Can Enjoy, Inc., which is managing a similar circulation drive for the New York Journal & American. Both manufacturers have kept mum. Reason: Dealers, who claim they have a hard enough time turning an honest dollar under the best conditions, screamed at the new competition. Lately, however, dealers in cities where newspaper promotions have been carried on have found an increased demand for recorded music booming their sales of discs, phonographs, and record players. And now the belief is that manufacturers are opening up, citing the newspapers' results to prove to recalcitrant dealers that they can make more sales—and more profit—at the lower prices.

## Big Retailers Push Cuts

Actually, manufacturers probably would have slashed prices long ago but for dealer resistance. The phonograph record field has been notorious for price cutting, and dealers often fail to realize the 40% margin they are allowed on most records. And manufacturers, as well as dealers, have been particularly reluctant to see lower prices on classical records which, though they make up only 10% of the industry's unit sales, account for a good 30% of its dollar volume. But pressure from such big outlets as New York City's gigantic R. H. Macy & Co., Inc., and Newark's Bambergers, where special promotion has moved as many as 600 classical albums in a single day, has done much to bring manufacturers to lower prices. Both RCA

and Columbia claim dealers' margins will not be cut—percentage-wise—and rebates will be arranged for stocks on hand.

The war isn't only a pricing war; there's been a lot of talent-sniping going on. Columbia is crowing over its recent success in luring John Barbirolli and the New York Philharmonic from Victor. It has also nabbed Leopold Stokowski to conduct the All-American Youth Orchestra, although Stokowski may still record for RCA with the Philadelphia Orchestra. And Columbia also claims it will deliver better music at the lower prices as a result of completion of a \$600,000 overhauling of manufacturing equipment. Chances are, however, that RCA, with a potent list of individual artists and the honored Victor trademark, will be hard to shove off the top of the heap.

## Another Sales Tax Doomed

AS A RESULT of recent repeal legislation, Louisiana will be the eighth state to abandon the sales tax when purchasers cease paying tax tokens on Dec. 31. New York allowed its sales tax to expire in 1934, Vermont and New Jersey repealed in 1935, and Idaho, Kentucky, Maryland, and Oregon did away with theirs in 1936. The act repealing Louisiana's tax also rescinded the authority granted New Orleans to levy a municipal tax. According to the Federation of Tax Administrators, only six cities—and New York City is the only large one—now collect municipal sales taxes.

## Biddle Haled Again

FOOD CIRCLES buzzed last week with the prospect of a new judicial interpretation of the brokerage clause of the Robinson-Patman Act. Reason: The Federal Trade Commission had entered a petition against Biddle Purchasing Co. in the U. S. Circuit Court of Appeals in New York. Biddle was the first company hit under the section of the law which forbids the agent of a buyer (as well as the buyer himself) to collect brokerage from the seller. And the published report was that the FTC was seeking a complete court review of its famous cease-and-desist order of July, 1937.

But such was not quite the case. The same Circuit Court reviewed the order in 1938, and upheld the commission. The FTC's present petition is not for a review of the case, but to get the court to enforce its previous order. The commission claims that Biddle has gone on collecting brokerage through the use of "service quantity savings."

Biddle's view is that in reviewing the company's current operations, the court will necessarily review the scope of the original decree. Company executives say that buying methods were revised after the court decree, and, in the opinion of the company's lawyers, are in conformity with the FTC order.

24, 1940

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These Companies  
are getting  
**Fast Action!**



Weil-McLain Company, Chicago, Ill., says that Teletalk saves 75% of a man-day or, on the basis of 50¢ an hour — \$2.50 per hour!



Springfield Newspapers, Inc., Springfield, Ohio, finds Teletalk indispensable when moments count at "edition time"!



American Airlines dispatches planes "on the dot" from La Guardia Field, New York City, through simultaneous conversation over twelve Teletalk stations.



Pump Engineering Service Corporation—Division of Borg Warner, Cleveland, Ohio, says: "Teletalk is a GREAT time-saver"!



Griggs, Cooper & Company, St. Paul, Minn., get greater efficiency from its elaborate mechanical conveyor system with a thirty-eight station Teletalk system.



**Stop COSTLY Waste Motion!**

with  
**WEBSTER ELECTRIC**  
**Teletalk**  
REG. U.S. PAT. OFFICE

## Amplified Paging and Intercommunication

Countless steps! Endless words! Irritating delays! Waiting, waiting for someone or something! These are the intangible but costly waste motions that slow up production, hinder activity, reduce general business efficiency! Now, American Business has to meet the challenge of a planned, restricted economy. It has to meet the need for proving once again that it can make things faster, better, and at lower cost.

Once again we have to work hard—harder than we ever have before. We need to apply every idea, every facility, every new and im-

proved way of doing things quicker and better. **WE NEED TO STOP COSTLY WASTE MOTION!**

We here in this company, have definite proof that Teletalk Amplified Paging and Intercommunication *does* stop costly waste motion. Thousands of business organizations are adding to this proof every day. Five examples appear in the column to the left.



Teletalk is listed in the "Where to Buy it" columns of the classified telephone directories as shown on opposite page. If your local electrical distributor is not listed, write for complete details.



Above: Teletalk Factory Paging System—ample power where noise level is high—capacity up to 24 stations, with "all-call" and "group call" features. Amplifier is a separate unit, and may be located remotely.



Above: Teletalk office Paging system. Capacity up to 12 stations. Broad service scope. Ample power. Low in cost.



Left: The DeLuxe executive Model Teletalk for intercommunication. No "talk-listen switch." Easy signal. Other exclusive features including handset for confidential communication.

Licensed by Electrical Research Products, Inc., under U. S. Patents of American Telephone and Telegraph Company and Western Electric Company, Incorporated

WEBSTER ELECTRIC COMPANY, Racine, Wis., U. S. A. Est. 1909. Export Dept.: 100 Varick St., New York City. Cable Address: "ARLAB" New York City

# Webster Electric

"Where Quality is a Responsibility and Fair Dealing an Obligation"

MANUFACTURERS OF TELETALK INTERCOMMUNICATION AND PAGING SYSTEMS • POWER AMPLIFIERS AND SOUND DISTRIBUTION EQUIPMENT • RADIO PHONOGRAPH PICKUPS • IGNITION TRANSFORMERS AND FUEL UNITS FOR OIL BURNERS

# MONEY AND THE MARKETS

FINANCE · SECURITIES · COMMODITIES

## Investor's Dollar Buys More

**Speculator willing to bet that half-year earnings weren't flash in the pan will find some stocks priced at only three to four times the indicated annual return.**

STOCK MARKET ANALYSTS for some time have been compiling lists of common shares which may be bought at or near their net asset, or liquidating, values. They have combed the exchanges for stocks which return upwards of 10% in dividends. And they have appraised the future prospects of company after company in the light of national defense possibilities.

Now that earnings for the first half of 1940 are available for most companies you can appraise values on a much more tangible basis. You can take the six months' net earnings per share, double them on the assumption that second half profits will be at least as good as those for the first half, and figure out price-earnings ratios. After all, earnings are the ultimate determinant of value.

### Plenty of Industrials

In the tabulation on page 47, BUSINESS WEEK has undertaken to present these ratios, along with other pertinent data, on a long list of companies which were in the black in the first six months. For the speculator who is willing to bet that earnings in the first half of 1940

weren't just flash-in-the-pan stuff, there are stocks to be had at 3 to 4 times their annual earnings. For the investor who wants shares in industries of more stable earning power, there are plenty of shares going begging at less than 10 times indicated net per share.

Of course, there's no mystery as to why the stock market is putting such a low evaluation on earnings at the present time. Wall Street is discounting the fact that John Bull may shortly be brought to his knees; it is making ample allowance for additional taxes; it is guarding against year-end adjustments for taxes, amortization, or other charges; it is making a very conservative estimate of future profit margins, particularly on defense contracts.

Nevertheless, it is generally felt that most companies will do better in the second half of 1940 than in the first—thanks in part to the defense program.

Therefore, it isn't surprising that investors expect pretty liberal dividend treatment in the months ahead. In the tabulation on the next page, the figures for dividends are on the basis of actual payments over the last 12 months or of

payments over the 12 months including dividends already authorized but not yet disbursed. Those dividends do not necessarily reflect current earning power; many of the companies listed will do substantially better by stockholders in the full year 1940 than in the period covered by these dividend figures.

### A Good Bit to Spare

But, even if dividends don't go up, many of those listed were more than covered in the first half of the year, and most of the others will be earned with a good bit to spare before the year is out. Few look as though they were at all doubtful.

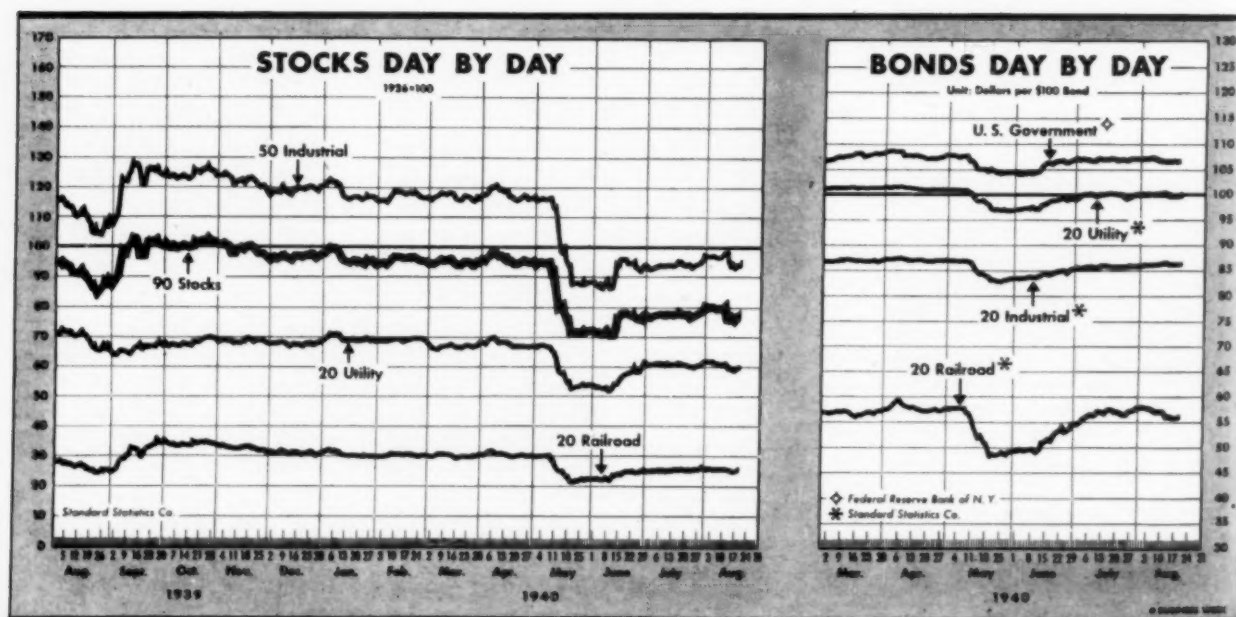
Consequently, yields on shares of prominent companies ranging from 7% to more than 10% have been attracting a pretty steady dribble of investment money. The fact is that the purchasing power of the investor's dollar—measured either in terms of current earnings or of prevailing dividends—is higher than it has been at any time in at least 15 years.

## More Manganese

**Cuban-American (90% owned by Freeport Sulphur) will increase Santiago plant capacity.**

ANOTHER STEP in this country's effort to better its position as regards manganese, one of the strategic raw materials, is to be undertaken at once through expansion of Cuban production. This will be accomplished by means of an increase of about 30% in the capacity of Cuban-American Manganese Corp. (90% owned by Freeport Sulphur Co.) before the beginning of next year.

The plant at Cristo, near Santiago, now is geared to produce 100,000 tons of





ferro-grade manganese ore a year and the plan is to add about 30,000 tons to potential output. In this connection, it is revealed that the Metal Reserve Co., financed by the Reconstruction Finance Corp., has contracted to take from 25,000 to 65,000 tons of ore from Cuban-American over the next three years to help in building the stockpile.

This fits in with other recent contracts signed by the Metal Reserve Co. Only a few days ago it was announced that the company would buy 240,000 tons of manganese concentrate from Anaconda Copper during the next three years (*BW*—Aug 17<sup>40</sup>, p18), and earlier the government bought upwards of 150,000 tons from foreign interests for the stockpile.

### U. S. Wants Independence

Recent emphasis on production in the United States and in Cuba—the water haul from Cuba to Florida is only about 90 miles—indicates more strongly than ever that the government wants to achieve a degree of independence from the usual foreign sources of manganese. About one-third of domestic requirements normally comes from Russia (through the Black Sea, from which shipments now are uncertain), and almost as much comes from Africa. Brazil, India, and Cuba are the only other important suppliers of this country's requirements, which ran 950,000 tons in 1937.

Just how handy a source as close as Cuba could be to this country's steel industry in a time of international crisis was realized by Freeport Sulphur when it began to develop the Cuban-American properties some ten years ago. The primary problem was that of handling Cuba's low-grade ores, and once that was mastered such setbacks as a major earthquake and a revolution were taken more or less in stride. Nevertheless, Freeport Sulphur had sunk about \$3,000,000 in the project before it began to realize on the profit possibilities.

### Nice Showing in 1939

Cuban-American Manganese made a little money in 1934, but it wasn't a patch on the deficits accumulated in 1932, 1933, 1935, and 1936, and even after deducting the 1934 profit, the company was about \$550,000 to the bad for those five years. It earned \$302,501 in 1937, lapsed back into deficits to the tune of \$22,059 in 1938, and then turned in its first really nice showing in 1939—net earnings of \$716,865.

Actually, the company earned \$743,418 in the final half of 1939, because it had a deficit of \$26,553 in the initial six months. The first half of 1940 didn't measure up to results in the late months of last year, but it resulted in a nice profit of \$571,254. Thus earnings reached the figure of \$1,300,000 for the 12 months ended June 30, 1940.

## How the Stock Market Evaluates Earnings

Aircraft Manufacturing						
	Current Price	Net Per Share, First Half 1940	Price-Earnings Ratio†	Dividend	Yield (per cent)	Net Per Share, Full Year 1939
Curtiss-Wright .....	6½	\$0.68	5.0	.....	.....	\$0.39
Douglas* .....	68½	5.65	6.0	\$3.00	4.36	4.81
Martin .....	28¼	3.92	3.6	2.00	7.11	3.75
North American .....	157½	0.69	11.5	1.50	9.45	2.07
United Aircraft .....	347½	2.34	7.5	2.75	7.89	3.55
Airlines						
American .....	52	2.48	10.5	.....	.....	4.52
Eastern .....	27¼	1.32	10.4	.....	.....	2.06
United .....	15	0.19	39.5	.....	.....	0.21
Arms and Ammunition						
Atlas Powder .....	60	2.29	13.0	3.75	6.25	3.82
Hercules Powder .....	80½	2.30	17.5	3.25	4.04	3.65
Savage Arms .....	20½	1.35	7.6	2.00	9.69	2.08
Automobiles and Trucks						
Chrysler .....	69¼	7.01	5.0	4.75	6.81	8.47
General Motors .....	45	2.52	8.9	4.00	8.89	4.06
Mack Truck .....	20	1.36	7.9	1.00	5.00	1.19
Studebaker .....	7½	0.43	8.3	.....	.....	1.31
White Motors .....	9¼	1.19	4.1	.....	.....	0.17
Automobile Accessories						
Bohn Aluminum .....	24¼	2.07	6.9	1.00	4.04	2.15
Borg Warner .....	157½	1.21	6.6	1.35	8.50	3.50
Briggs Manufacturing .....	19¼	2.14	4.6	1.75	8.86	1.11
Eaton Manufacturing .....	28¼	2.71	5.3	3.25	11.30	3.84
Electric Auto Lite .....	32	3.24	4.9	3.25	10.16	4.72
Motor Wheel .....	14¼	1.40	5.3	1.60	10.85	2.17
Building Materials and Supplies						
American Radiator .....	57½	0.14	20.1	0.30	5.33	0.34
Johns-Manville .....	58½	1.92	15.1	3.50	6.02	4.28
Lone Star Cement .....	30	1.42	10.6	3.25	10.83	3.68
National Gypsum .....	65½	0.37	9.0	0.25	3.77	0.98
Otis Elevator .....	123½	0.79	7.8	0.95	7.68	1.44
Ruberoid .....	13¼	0.46	14.9	1.10	8.00	1.70
U. S. Gypsum .....	63	2.73	11.5	4.00	6.35	5.76
Business Machines						
Int'l Bus. Machines .....	140	5.05	13.9	6.00	4.29	10.75
Nat'l Cash Register .....	11	0.68	8.1	1.00	9.09	1.13
Remington Rand .....	8	0.85	4.7	0.80	10.00	0.88
Underwood-El.-Fisher .....	267½	1.46	9.2	2.00	7.44	2.53
Chemicals						
Air Reduction .....	387½	1.15	16.9	2.00	5.14	1.98
Amer. Comm'l Alcohol .....	5	0.37	6.8	.....	.....	d-0.33
Commercial Solvents .....	9	0.40	11.3	.....	.....	0.61
Du Pont .....	160¼	4.06	19.7	8.00	4.99	7.67
Freeport Sulphur .....	29½	1.89	7.8	2.00	6.78	2.76
Mathieson Alkali .....	24¼	0.90	13.8	1.50	6.06	1.12
Monsanto .....	89¼	2.24	19.9	3.00	3.36	4.01
Texas Gulf Sulphur .....	30½	1.17	13.0	2.25	7.38	2.12
Union Carbide .....	67¼	2.15	15.8	2.20	3.25	3.86
Electrical Equipment						
Allis Chalmers .....	29½	1.47	10.0	1.25	4.24	2.71
Cutler Hammer .....	177½	1.12	8.0	1.25	6.99	1.23
General Cable .....	5	0.53	4.7	.....	.....	d-2.34
General Electric .....	323½	0.90	18.0	1.60	4.94	1.43
Square D .....	30	2.03	7.4	2.10	7.00	3.02
Westinghouse .....	94¼	3.68	12.5	4.50	4.77	5.18
Machinery						
Blaw Knox .....	73½	0.45	8.2	0.12½	1.69	0.72
Bucyrus Erie .....	7¼	0.73	5.3	0.75	9.68	1.09
Fairbanks Morse .....	32¼	1.58	10.4	3.00	9.16	4.12
Worthington Pump .....	17¼	2.95	3.0	.....	.....	0.54
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Anaconda Copper .....	19¼	2.02	4.9	1.50	7.59	2.33
Calumet & Hecla .....	5¼	0.40	7.2	1.00	17.39	0.39
Climax Molybdenum .....	26½	1.38	9.6	3.20	12.08	4.08
National Lead .....	16¼	0.69	11.8	0.87½	5.38	1.75
Phelps Dodge .....	26½	1.14	11.6	1.50	5.69	1.48
St. Joe Lead .....	28¼	1.32	10.7	2.50	8.85	2.71
Railroad Equipment						
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General Ry. Signal .....	11½	0.53	10.5	.....	.....	0.34
New York Air Brake .....	40½	3.21	6.3	2.00	4.94	2.88
Pressed Steel Car .....	9½	1.56	3.0	.....	.....	d-1.71
Pullman .....	18½	0.90	10.1	1.00	5.52	1.03
Steels						
Allegheny Ludlum .....	19¼	1.48	6.7	1.00	5.06	1.49
Amer. Rolling Mills .....	10½	0.37	13.7	.....	.....	0.93
Bethlehem .....	74¼	6.10	6.1	4.50	6.06	5.75
Crucible .....	27	3.52	3.8	.....	.....	2.56
Inland .....	80	3.64	11.0	5.50	6.88	6.73
National .....	57½	3.18	9.0	1.90	3.30	5.71
Republic .....	16½	0.90	9.0	.....	.....	1.54
U. S. Steel .....	51¼	2.72	9.5	2.00	3.86	1.84
Youngstown Sheet .....	29½	1.20	12.3	0.50	1.69	2.49

\* Six months ended May 31.

† Price-earnings ratio computed on an annual basis by doubling net for the first half of this year.

## BUSINESS ABROAD

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### Monroe Doctrine Gets New Teeth

**Hemisphere defense plans, involving added bases, will have important influence on business. British stand may spur Latins to greater cooperation with U. S.**

THE 117-YEAR-OLD Monroe Doctrine took on a new significance this week which is likely to cause important reactions on United States business in the future.

In an attempt to rejuvenate the historic policy, which has shown serious signs in recent months of being too out of date to function successfully under the swiftly changing conditions of 1940, Washington has now made three dramatic gestures:

(1) Shocked by the realization that the collapse of France and Holland, following the effortless capitulation of Denmark, gives conquering Germany a victor's stepping stones to the very heart of the Western Hemisphere, the Roosevelt administration in the last month

has rushed to set up listening posts in many a forlorn Atlantic outpost of these former colonial powers.

Consuls are already posted in Iceland and Greenland to see that Hitler has no opportunity to lay the groundwork for a *Blitzkrieg* occupation of these Danish islands along the pattern which was so successful in the home land.

A month ago, a consular agent took up his duties in British Guiana, and last week he was followed by a fellow observer who is stationed in neighboring French Guiana. Another hand-picked Washington agent has already arrived in the Azores to watch activity at the important Pan American Airways base at Horta, and a sixth is already at Dakar,

the French West African port from which all European planes take off for South America. He is in daily radio communication with a colleague recently sent to Natal, Brazil, the American end of the South Atlantic hop.

(2) As a result of weekend conferences with the Canadian Prime Minister, President Roosevelt announced that Canada and the United States would move immediately to coordinate defense. Losing no time in the face of the threatening situation along the English Channel, a newly created Joint Defense Board is to meet next week to start working on a program for cooperative action.

#### Negotiations Under Way

(3) Plans for leasing naval and air bases in Britain's Western Hemisphere possessions apparently are in an advanced stage for the President this week announced that negotiations were under way, and Prime Minister Churchill admitted Britain's willingness to lease bases on a 99-year term. Experts guessed they would include bases in Newfoundland, Bermuda, one or more of the Caribbean islands, Trinidad, and possibly British Honduras.

At the same time British plans to go ahead with the project to build airplane factories in this country capable of turning out 1,300 planes a month by the end of 1941 apparently had the support of our Defense Commission, for Administrator Knudsen set out by airplane this week to inspect our own production and presumably to discuss with manufacturers their ability to take on the projected British contracts.

Though the week's developments are primarily matters of defense, they will have an important influence on business. Within the next few weeks this country's defense authorities will know exactly what new bases will be at their disposal and can lay down a definite plan for hemisphere defense. The fact that a big nation like Britain, though admittedly in a tight spot, is willing to lease its property to the United States in an emergency may set an example to some of the smaller nations of Latin America in whose territories naval bases and huge military airdromes are needed, but who have until now refused to cooperate with Washington to that extent.

#### To Establish U. S. Personnel

With the taking over of these new bases, a vast program of equipping them as rapidly as possible will get under way. In the case of some of the British bases, presumably little will need to be done except to arrange for the establishment of American personnel.

Secured by this new air and naval frontier, American commercial shipping will be speeded up and services extended to new zones, at first to supply our own new military communities but later to develop the general trade that inevitably

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will come with the expanded spending power of these new communities.

Completion of the Pan American highway to the Canal Zone, at a cost of about \$75,000,000 and with considerable bridge steel and roadbuilding purchases in this country, is expected now to be made an immediate defense duty by Washington. The long-projected highway through Canada to Alaska may also be placed on the "must" list, with the Dominion now cooperating wholeheartedly.

Executives who have been making studies for several years of industrial opportunities in Latin America pulled their plans out of file drawers this week and sized them up again in the light of the week's developments. With Washington apparently preparing to back up its Monroe Doctrine with force, at least in the rich countries of Latin America extending as far south as the "bulge" (BW—Jul 20 '40, p. 15) and with government aid likely soon to be going to this area in the form of Export-Import Bank loans, it may be time now to reconsider the projects.

If this vital new interest of Washington is followed by definite moves to help stabilize Latin American currencies, readjust a bad debt situation, and build a solid long-term hemisphere economic program, private business will want to take up the initiative again and do its share of the job.

## Strike Despite Ban

**Canadian textile workers challenge government. Penalties probably will not be enforced.**

OTTAWA (Business Week Bureau)—Serious potential trouble is looming on Canada's industrial horizon. Three strikes for higher wages were called last week in flat contravention of government regu-

lations outlawing strikes and making strikers subject to internment. The strikes, involving some 780 workers in three Ontario textile mills, were not in themselves serious; their importance lies in the challenge they present to the government. No attempt was made to settle the disputes by arbitration as required by the general instructions issued by the government.

Unless the strikes, which occurred in companies with war contracts, are settled speedily—which seems likely—a situation may arise that will threaten Canada's industrial program.

Maximum punitive measures probably will not be applied by government representatives. Instead, settlement is likely to be along the lines of decisions rendered by conciliation boards during other disputes. The rights of collective bargaining and union organization will be recognized; some pay adjustments may be granted; and arrangements may even be made for bonuses to offset increased living costs.

## Monopolies for Cuba

**Exclusive manufacturing rights will be granted in effort to attain greater self-sufficiency.**

UNDER the Industrial Introduction Patent clause of Cuba's proposed new Constitution, the Cuban government may grant sole rights "to manufacture, prepare, or process for consumption or exportation, articles which at that time are not produced or prepared in the national territory, or whose average production during the last five years is less than 15% of the national consumption during that period."

The plan applies to any petitioning company that will agree to construct a factory within 18 months after the patent is granted and thereafter produce at



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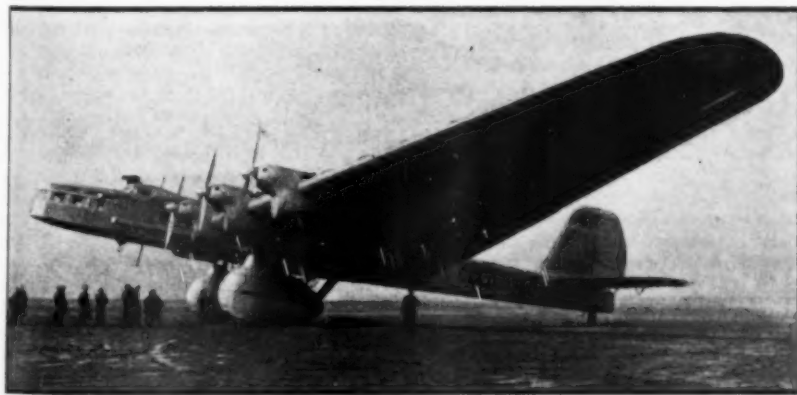


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## Russia Takes Up Giant Planes Again



The U.S.S.R. is building big transport planes again—as evidenced by this new six-motored L-760, designed to carry 64 passengers. It's slightly smaller than the eight-engined Maxim Gorky, which crashed in 1935.



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least 80% of the national consumption of the article protected. Petitions will be received during the two years following promulgation of the Constitution, and only one patent—which will be good for 15 years—will be granted for each class of article.

The clearly defined monopolies which will result are designed to increase Cuban self-sufficiency. Additional encouragement is provided by allowing an 80% tariff cut on the importation of the required machinery and raw materials and by increasing tariff rates 50% on imports of competing articles.

The Cuban Department of Commerce already has received petitions requesting patents on such items as explosives, chewing gum, cloth, piping, drugs, nails and paints.

### Cuba Offers Small Market

From the U.S. manufacturer's point of view, most products affected will be those for which Cuba offers a relatively small market. In other Latin countries, the Cuban monopolies will face the same import restrictions that are imposed on American goods. Cuban importers will undoubtedly be the big losers.

## BRIEFED FROM THE CABLES

**BERLIN (Wireless)**—Behind the smoke of battle, Germany is quietly pushing its economic expansion in the Balkans by occupying many of the properties formerly operated by British and French firms. Most important move in this direction this week is the announcement that German interests have secured control of the Reschitz Steel Co. in Rumania. The company in the past has produced nearly 80% of all Rumania's iron and steel products. Another company has been formally incorporated during the week "to exploit valuable metal concessions in Yugoslavia." This probably covers copper, bauxite (for aluminum), and iron ore.

With the surrender of France, Germany has come into control of the richest bauxite supplies in Europe. In 1938, Germany, Greece, Italy, Yugoslavia, and Hungary produced slightly more than one-third of the world's total bauxite. With France brought into this group, Germany now has access to well over one-half of the world's total supplies. This does not mean that there is any shortage of bauxite in the world, for output in Dutch Guiana, British Malaya, India, and the Dutch East Indies can be speedily stepped up, but it does mean that Britain is now forced to haul its bauxite from more distant sources than France and accounts for the reported serious negotiations in the United States in the last few weeks by British agents for important supplies of aluminum to be delivered for the next three years.

**BUENOS AIRES (Business Week Bureau)**—The group of retail leaders which is coming to the Argentine from the United States (*BW*-Aug17'40,p26) is not likely to find that the Argentine is a likely source of supply for much goods which can be sold in the United States. Members of the Union Industrial, an organization which includes most of the leading manufacturers in the Argentine, have so far shown little interest in the project. They insist that

the local market absorbs almost their entire output and that they are reluctant to increase production facilities without assurances from potential United States importers—which they don't expect to get—that they will continue to buy in this market after the war even though Europe is again able to offer goods at lower prices.

**OTTAWA (Business Week Bureau)**—Despite biting criticism of its operations from many quarters, Canada—at least until the war strikes closer home—will not suspend operation of its government-owned Trans-Canada Air Lines. Critics insist that (1) in time of war the Dominion can ill afford the subsidy that maintains the line, and (2) planes and pilots are needed as a part of the Dominion's big but slow-to-develop pilot training scheme.

Two moves this week indicate the government's determination to continue the service: (1) Six new Lockheed Lodestar planes will soon be ordered in the United States to replace smaller planes now in use; (2) D. B. Colyer, formerly connected with Boeing Air Transport Co. and with United Air Lines, has been re-engaged as chief executive and vice-president of the system.

If the Dominion were not at war, it is likely that stratosphere planes of the kind coming into use on transcontinental services in the United States would have been bought.

**BERLIN (Wireless)**—Neutral and well informed observers here believe that the German food rations can be maintained at present levels throughout the winter, whatever the course of the war. How close the Food Administration is cutting corners is evident, however, in the fact that bread rations for adults were reduced on Aug. 1 and it is doubtful if they can be enlarged to the former base this winter. Germany's harvesting is almost completed and the yield has been fair.

Crucial question in Berlin is whether or not the country can expect to relieve its supply situation soon even if the British are forced to capitulate in the present campaign. Germans know that stocks must be rebuilt mainly from supplies to be obtained from the United States or South America and it is doubted if any large flow of food or raw materials can be expected without long negotiation.

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## THE TRADING POST

### More About That Hitler Peace

HERE are some more comments from BUSINESS WEEK readers on the "Hitler Peace" memo in the June 22 issue.

\* \* \*

#### Motor manufacturing executive:

"... I agree with much that this bulletin sets forth—especially its basic conclusion that whatever course events in Europe may take will bring profound pressures to bear upon the American economy, and will tend, as the memorandum puts it, to 'harden the economic row the United States has to hoe'.

"With some of the assumptions set forth in the memorandum I do not completely agree. It is stated, for example, that German industry has been able in the past to cope on equal terms with American industry in all but one factor, which is the control of cheap and readily available sources of raw materials. Without prejudice to what a further integrated German economy may be able to do in the future, it is a fact demonstrable from actual motor manufacturing efficiency in Germany that, despite the access Germany has had to the raw materials entering into a motor car, the costs of production, on an equivalent weight basis, are at least 60% higher than they are in this country. . . .

"This is not to say, of course, that, on manufactured goods generally, a victorious Germany would not sweat its costs down and continue its export subsidy practice to the detriment of America's export markets: I make the point simply that, after six years of economic regimentation, Germany still failed to show an ability to compete in the world markets with American industry.

"This inability may well have been influenced, as the memo points out, by the diversion of productive effort in Germany to defense needs, but it has existed in the face of conditions in our own economy which have involved laxness and a continuing trend toward higher costs of production. It might be fairly deduced from all this that America's ability to compete industrially with a victorious post-war Germany, however highly regimented the German economy will be, can safely be maintained without our having resort here to a similar regimentation, either domestically or in the instance of our foreign trade itself. It seems also that this ability, under the free enterprise system, could be maintained in America in face of a greatly increased armament activity.

"To the extent, of course, that our defense program results in a diversion of productivity from useful goods and services to 'non-useful' war materials, it will

inevitably penalize the standard of living in the United States, and increase the nominal cost of our export goods. It seems apparent, therefore, that the obligation confronting us today, in face of the unquestioned need for a defense program is to increase our productiveness in an amount at least sufficient to offset this economic 'waste'. In other words, our ability to fulfill our national defense program, to maintain or increase our standard of living, and to preserve our competitive position in the world markets, will require, in whatever degree may be involved, a proportional increase in the number of hours worked, and a proportionally greater utilization of the plant facilities we possess. Such an end is entirely feasible under the free enterprise system, and without mistaken resort being had to totalitarianism.

"I am inclined to agree, in this regard, with the conclusion advanced in the memo that, over the long term, the struggle for supremacy in world markets between American industry and German industry will force an issue between (1) totalitarian economics, in which the state establishes output, hours and wages of labor, and prices, and (2) capitalistic economics, in which the heads of individual enterprises decide how much to produce, in which wages and hours of labor are arrived at by bargaining, and in which prices are determined in a 'free market'. I see no reason to despair as to the ability of American industry to meet this issue on the basis of free enterprise, and to win it."

\* \* \*

#### Investment counsel:

"... The thought-provoking questions you raise are ones the answers to which will determine our relative prosperity for years to come. Personally, I believe that we in the United States should attempt to offset our loss in foreign trade by aiding the poorer segment of our population to earn a better standard of living. The subsequent increase in the ability to buy will compensate to a large extent for the decline in exports."

\* \* \*

#### Director, British information service:

"... The memorandum sets forth realistically some of the important facts facing America, but it seems over-optimistic and not free from the illusory hope that America can find a workable equilibrium in a Hitler-controlled world. America will have to spend much more than 12% of her national income on arms if it has to take a place alone at the other end of the scale. Britain today is thus spending 30% of her national income."

W.T.C.

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August 24, 1940

## The New F. R. B. Index

THE FEDERAL RESERVE BOARD has just revised its monthly Index of Industrial Production. This is more than a ritualistic event for professional statisticians and economists. For the F. R. B. index (as it is called in the statistical trade) is the most widely used measure of the state of American business health. Consequently, what the index indicates—whether business is going up or down—may at times influence business. As men feel, so may they act.

The Reserve index is not the promptest of all measures, by any means. In speed, it cannot compete with, say, the weekly BUSINESS WEEK Index; on the other hand, what it loses in promptitude it makes up in breadth of composition. Because available weekly data are naturally scarce, the BUSINESS WEEK Index, as revised in 1938, comprises only seven factors, whereas the new Reserve index includes 81 individual series. And yet, the dominant movements in American business are so characteristic that the BUSINESS WEEK Index, with only seven components, behaves almost identically with the Board's much broader measure (chart, page 18).

The Board has made many technical alterations in its index. The base is shifted from 1923-25 = 100 to 1935-39 = 100. New industries—chemicals, rayon, airplanes, etc.—are picked up where the old index (not revised materially since 1927) left off. As a consequence, the volume of industrial production—as recorded by the index—is lifted substantially in the decade of the 'thirties. In the old index 1929 marked the all-time high in industrial output; in the new index 1937 takes top rank by 2.7%. The F. R. B. annual average for 1929 now becomes 110; for 1937 the average becomes 113.

SOME SLY CRITICS immediately greeted this as the "new F. D. R. index"; they said the Board had "doctored" the figures to make the New Deal look good; thus the index was a campaign document. This smacks of smart statistical Winchellism but it hardly stands up under investigation. Nor is the accusation consistent. It has not been long since the Board's index was charged with serving the President's political ends by making conditions look worse than they were.

It is safe to take the index at face value as the careful work of trained economists and statisticians in the Reserve Board. For the Board's findings are not revolutionary or unconfirmed. The National Bureau of Economic Research independently came to the conclusion that the country's manufacturing output in 1937 was 3% higher than 1929, as compared

with the Board's margin of 2.7%. This is not entirely strange, since both the Board and the Bureau used Census of Manufactures data as basic material; but their handling of the data was not identical.

The chief reason why we customarily think of 1929 as the top year in American industrial history is because national income in that year, at \$82,885,000,000, was far and away ahead of any other year; in 1937 it was only \$71,172,000,000—or 14.1% less. However, the F. R. B. index does not measure production in dollars, but rather production in quantity—the stuff the people of the United States ultimately can consume. To find out if this disparity between income and production is real, it is necessary to take the dollars out of national income produced—to bring it down to physical terms. For that purpose, cost of living, which is a measure of the price we pay for all things, is a fairly good common denominator.

FROM 1929 to 1937 the cost of living fell 14.7%, or six-tenths of a point more than national income produced. In terms of 1929 dollars, then, national income in 1937 would run to \$84,028,000,000—or 1.4% higher than in '29. Thus there is additional support of the Board's contention.

However, the business man who compares '29 and '37 profit-and-loss statements will find this concept hard to take. In 1929, the net operating income (after taxes) of all American corporations was \$7,547,000,000; in 1937, despite a greater physical output, net income was down 59% to \$3,131,000,000. Nor will workingmen find the '37-better-than-'29 conclusion obvious; for in '37 unemployment was a major problem. So, which was higher—'37 or '29?—depends partly on the yardstick used; on the point of view.

Factually, however, we can now consider it established that in physical output '37 was king. And, at the same time, it might be noted that '40 already bids fair to lift the crown.

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